

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2018

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-34370



WASTE CONNECTIONS, INC.

(Exact name of registrant as specified in its charter)

Ontario, Canada

(State or other jurisdiction of incorporation or organization)

98-1202763

(I.R.S. Employer Identification No.)

**610 Applewood Crescent, 2nd Floor
Vaughan
Ontario L4K 0E3
Canada**

(Address of principal executive offices)

(905) 532-7510

(Registrant's telephone number, including area code)

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common shares:

As of October 22, 2018: 263,506,880 common shares

WASTE CONNECTIONS, INC.
FORM 10-Q

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and equivalents	\$ 244,389	\$ 433,815
Accounts receivable, net of allowance for doubtful accounts of \$15,305 and \$17,154 at September 30, 2018 and December 31, 2017, respectively	625,048	554,458
Current assets held for sale	794	1,596
Prepaid expenses and other current assets	152,827	186,999
Total current assets	1,023,058	1,176,868
Restricted cash	83,399	122,652
Restricted investments	44,217	44,360
Property and equipment, net	5,069,767	4,820,934
Goodwill	4,813,296	4,681,774
Intangible assets, net	1,069,064	1,087,436
Long-term assets held for sale	745	12,625
Other assets, net	88,520	68,032
	<u>\$ 12,192,066</u>	<u>\$ 12,014,681</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 331,535	\$ 330,523
Book overdraft	19,087	19,223
Accrued liabilities	287,369	278,039
Deferred revenue	162,965	145,197
Current portion of contingent consideration	11,612	15,803
Current liabilities held for sale	928	2,155
Current portion of long-term debt and notes payable	1,753	11,659
Total current liabilities	815,249	802,599
Long-term debt and notes payable	3,747,209	3,899,572
Long-term portion of contingent consideration	43,412	31,482
Other long-term liabilities	339,817	316,191
Deferred income taxes	741,300	690,767
Total liabilities	5,686,987	5,740,611
Commitments and contingencies (Note 18)		
Equity:		
Common shares: 263,506,592 shares issued and 263,372,910 shares outstanding at September 30, 2018; 263,660,803 shares issued and 263,494,670 shares outstanding at December 31, 2017	4,147,909	4,187,568
Additional paid-in capital	124,317	115,743
Accumulated other comprehensive income	53,203	108,413
Treasury shares: 133,682 and 166,133 shares at September 30, 2018 and December 31, 2017, respectively	-	-
Retained earnings	2,174,135	1,856,946
Total Waste Connections' equity	6,499,564	6,268,670
Noncontrolling interest in subsidiaries	5,515	5,400
Total equity	6,505,079	6,274,070
	<u>\$ 12,192,066</u>	<u>\$ 12,014,681</u>

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenues	\$ 1,281,110	\$ 1,206,478	\$ 3,661,209	\$ 3,473,313
Operating expenses:				
Cost of operations	736,122	695,122	2,120,947	2,024,402
Selling, general and administrative	139,014	128,200	398,582	383,600
Depreciation	148,232	136,941	423,866	395,008
Amortization of intangibles	26,871	26,613	79,444	76,886
Impairments and other operating items	(1,998)	832	6,106	141,333
Operating income	232,869	218,770	632,264	452,084
Interest expense	(32,078)	(32,471)	(96,874)	(92,763)
Interest income	1,467	1,656	3,677	3,131
Other income, net	732	1,709	2,376	3,561
Foreign currency transaction loss	(132)	(1,864)	(323)	(3,502)
Income before income tax provision	202,858	187,800	541,120	362,511
Income tax provision	(52,092)	(64,390)	(126,509)	(100,220)
Net income	150,766	123,410	414,611	262,291
Plus (Less): Net loss (income) attributable to noncontrolling interests	77	(183)	(218)	(559)
Net income attributable to Waste Connections	\$ 150,843	\$ 123,227	\$ 414,393	\$ 261,732
Earnings per common share attributable to Waste Connections' common shareholders:				
Basic	\$ 0.57	\$ 0.47	\$ 1.57	\$ 0.99
Diluted	\$ 0.57	\$ 0.47	\$ 1.57	\$ 0.99
Shares used in the per share calculations:				
Basic	263,628,838	263,443,064	263,657,274	263,298,839
Diluted	264,394,757	264,299,472	264,376,320	264,109,383
Cash dividends per common share	\$ 0.14	\$ 0.12	\$ 0.42	\$ 0.36

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income	\$ 150,766	\$ 123,410	\$ 414,611	\$ 262,291
Other comprehensive income (loss), before tax:				
Interest rate swap amounts reclassified into interest expense	4,279	511	2,407	2,352
Fuel hedge amounts reclassified into cost of operations	(1,810)	789	(4,647)	2,765
Changes in fair value of interest rate swaps	863	2,181	15,828	305
Changes in fair value of fuel hedges	295	2,717	2,956	(1,672)
Foreign currency translation adjustment	35,455	84,500	(67,349)	155,153
Other comprehensive income (loss), before tax	39,082	90,698	(50,805)	158,903
Income tax expense related to items of other comprehensive income (loss)	(985)	(4,016)	(4,405)	(1,123)
Other comprehensive income (loss), net of tax	38,097	86,682	(55,210)	157,780
Comprehensive income	188,863	210,092	359,401	420,071
Plus (Less): Comprehensive loss (income) attributable to noncontrolling interests	77	(183)	(218)	(559)
Comprehensive income attributable to Waste Connections	<u>\$ 188,940</u>	<u>\$ 209,909</u>	<u>\$ 359,183</u>	<u>\$ 419,512</u>

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

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2018
(Unaudited)
(In thousands of U.S. dollars, except share amounts)

	Waste Connections' Equity								
	Common Shares Shares	Common Shares Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Shares Shares	Treasury Shares Amount	Retained Earnings	Noncontrolling Interests	Total
Balances at December 31, 2017	263,494,670	\$ 4,187,568	\$ 115,743	\$ 108,413	166,133	\$ -	\$ 1,856,946	\$ 5,400	\$ 6,274,070
Sale of common shares held in trust	32,451	2,381	-	-	(32,451)	-	-	-	2,381
Vesting of restricted share units	480,577	-	-	-	-	-	-	-	-
Vesting of performance-based restricted share units	154,181	-	-	-	-	-	-	-	-
Restricted share units released from deferred compensation plan	5,069	-	-	-	-	-	-	-	-
Tax withholdings related to net share settlements of equity-based compensation	(217,135)	-	(14,976)	-	-	-	-	-	(14,976)
Equity-based compensation	-	-	23,550	-	-	-	-	-	23,550
Exercise of warrants	17,571	-	-	-	-	-	-	-	-
Repurchase of common shares	(594,474)	(42,040)	-	-	-	-	-	-	(42,040)
Cash dividends on common shares	-	-	-	-	-	-	(110,447)	-	(110,447)
Amounts reclassified into earnings, net of taxes	-	-	-	(1,721)	-	-	-	-	(1,721)
Changes in fair value of cash flow hedges, net of taxes	-	-	-	13,860	-	-	-	-	13,860
Foreign currency translation adjustment	-	-	-	(67,349)	-	-	-	-	(67,349)
Cumulative effect adjustment from adoption of new accounting pronouncement	-	-	-	-	-	-	13,243	-	13,243
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(103)	(103)
Net income	-	-	-	-	-	-	414,393	218	414,611
Balances at September 30, 2018	<u>263,372,910</u>	<u>\$ 4,147,909</u>	<u>\$ 124,317</u>	<u>\$ 53,203</u>	<u>133,682</u>	<u>\$ -</u>	<u>\$ 2,174,135</u>	<u>\$ 5,515</u>	<u>\$ 6,505,079</u>

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

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

	Waste Connections' Equity								
	Common Shares Shares	Common Shares Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Shares Shares	Treasury Shares Amount	Retained Earnings	Noncontrolling Interests	Total
Balances at December 31, 2016	262,803,271	\$ 4,174,808	\$ 102,220	\$ (43,001)	337,397	\$ -	\$ 1,413,488	\$ 7,362	\$ 5,654,877
Sale of common shares held in trust	140,344	8,704	-	-	(140,344)	-	-	-	8,704
Vesting of restricted share units	540,432	-	-	-	-	-	-	-	-
Vesting of performance-based restricted share units	122,786	-	-	-	-	-	-	-	-
Restricted share units released from deferred compensation plan	36,619	-	-	-	-	-	-	-	-
Tax withholdings related to net share settlements of equity-based compensation	(250,172)	-	(13,754)	-	-	-	-	-	(13,754)
Equity-based compensation	-	-	20,463	-	-	-	-	-	20,463
Exercise of options and warrants	49,954	1,946	-	-	-	-	-	-	1,946
Cash dividends on common shares	-	-	-	-	-	-	(95,201)	-	(95,201)
Amounts reclassified into earnings, net of taxes	-	-	-	3,433	-	-	-	-	3,433
Changes in fair value of cash flow hedges, net of taxes	-	-	-	(806)	-	-	-	-	(806)
Foreign currency translation adjustment	-	-	-	155,153	-	-	-	-	155,153
Cumulative effect adjustment from adoption of new accounting pronouncement	-	-	1,384	-	-	-	(1,384)	-	-
Acquisition of noncontrolling interest	-	-	698	-	-	-	-	(2,564)	(1,866)
Net income	-	-	-	-	-	-	261,732	559	262,291
Balances at September 30, 2017	<u>263,443,234</u>	<u>\$ 4,185,458</u>	<u>\$ 111,011</u>	<u>\$ 114,779</u>	<u>197,053</u>	<u>\$ -</u>	<u>\$ 1,578,635</u>	<u>\$ 5,357</u>	<u>\$ 5,995,240</u>

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

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

	Nine months ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 414,611	\$ 262,291
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of assets and impairments	6,852	122,098
Depreciation	423,866	395,008
Amortization of intangibles	79,444	76,886
Foreign currency transaction loss	323	3,502
Deferred income taxes, net of acquisitions	45,765	(10,971)
Amortization of debt issuance costs	3,087	3,221
Share-based compensation	35,434	32,407
Interest income on restricted investments	(143)	(387)
Interest accretion	11,135	10,406
Adjustments to contingent consideration	349	17,754
Payment of contingent consideration recorded in earnings	(11)	-
Net change in operating assets and liabilities, net of acquisitions	17,080	(23,840)
Net cash provided by operating activities	1,037,792	888,375
Cash flows from investing activities:		
Payments for acquisitions, net of cash acquired	(500,064)	(394,002)
Capital expenditures for property and equipment	(373,512)	(317,385)
Proceeds from disposal of assets	3,698	25,826
Change in restricted investments, net of interest income	-	1,920
Other	(568)	(3,465)
Net cash used in investing activities	(870,446)	(687,106)
Cash flows from financing activities:		
Proceeds from long-term debt	165,737	896,947
Principal payments on notes payable and long-term debt	(387,700)	(666,724)
Payment of contingent consideration recorded at acquisition date	(5,459)	(5,840)
Change in book overdraft	(243)	13,814
Proceeds from option and warrant exercises	-	1,946
Payments for repurchase of common shares	(42,040)	-
Payments for cash dividends	(110,447)	(95,201)
Tax withholdings related to net share settlements of equity-based compensation	(14,976)	(13,754)
Debt issuance costs	(2,839)	(3,638)
Proceeds from sale of common shares held in trust	2,381	8,704
Other	(103)	(1,095)
Net cash provided by (used in) financing activities	(395,689)	135,159
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(528)	976
Net increase (decrease) in cash, cash equivalents and restricted cash	(228,871)	337,404
Cash, cash equivalents and restricted cash at beginning of period	556,467	169,112
Plus (less): change in cash held for sale	192	(27)
Cash, cash equivalents and restricted cash at end of period	\$ 327,788	\$ 506,489
Non-cash financing activities:		
Liabilities assumed and notes payable issued to sellers of businesses acquired	\$ 100,753	\$ 143,495
Non-cash consideration received for asset sales	\$ -	\$ 92,972

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

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

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

1. BASIS OF PRESENTATION AND SUMMARY

The accompanying condensed consolidated financial statements relate to Waste Connections, Inc. and its subsidiaries (“WCI” or the “Company”) for the three and nine month periods ended September 30, 2018 and 2017. In the opinion of management, the accompanying balance sheets and related interim statements of net income, comprehensive income, cash flows and equity include all adjustments, consisting only of normal recurring items, necessary for their fair statement in conformity with U.S. generally accepted accounting principles (“GAAP”). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Examples include accounting for landfills, self-insurance accruals, income taxes, allocation of acquisition purchase price, contingent consideration accruals and asset impairments. An additional area that involves estimation is when the Company estimates the amount of potential exposure it may have with respect to litigation, claims and assessments in accordance with the accounting guidance on contingencies. Actual results for all estimates could differ materially from the estimates and assumptions that the Company uses in the preparation of its condensed consolidated financial statements.

Interim results are not necessarily indicative of results for a full year. These interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

2. REPORTING CURRENCY

The functional currency of the Company, as the parent corporate entity, and its operating subsidiaries in the United States, is the U.S. dollar. The functional currency of the Company’s Canadian operations is the Canadian dollar. The reporting currency of the Company is the U.S. dollar. The Company’s consolidated Canadian dollar financial position is translated to U.S. dollars by applying the foreign currency exchange rate in effect at the consolidated balance sheet date. The Company’s consolidated Canadian dollar results of operations and cash flows are translated to U.S. dollars by applying the average foreign currency exchange rate in effect during the reporting period. The resulting translation adjustments are included in other comprehensive income or loss. Gains and losses from foreign currency transactions are included in earnings for the period.

3. NEW ACCOUNTING STANDARDS

Accounting Standards Adopted

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 standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017 for public entities. The Company adopted the amended guidance using the modified retrospective method as of January 1, 2018 for all ongoing customer contracts. The Company’s results of operations for the reported periods after January 1, 2018 are presented under this amended guidance, while prior period amounts are not adjusted and continue to be reported in accordance with historical accounting guidance.

The impact of adopting the amended guidance primarily relates to the deferral of certain sales incentives, which previously were expensed as incurred, but under the new guidance are capitalized as Other assets and amortized to Selling, general and administrative expenses over the expected life of the customer relationship. The Company recognized a net increase to retained earnings of \$13,243 as of January 1, 2018 for the cumulative impact of adopting the amended guidance. The cumulative impact was associated with both the capitalization of certain sales incentives as contract acquisition costs consisting of an asset in the amount of \$16,296 and a related deferred tax liability of \$4,058 and a change in accounting for revenue priced based on published indices at the Company’s Canada operations of \$1,005. Prior to adoption, the Company expensed approximately \$16,000 in sales incentives annually. There were no other material impacts on the condensed consolidated financial statements as a result of the Company’s adoption of this amended guidance.

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

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

For contracts with an effective term greater than one year, the Company applied the standard's practical expedient that permits the exclusion of unsatisfied performance obligations as the Company's right to consideration corresponds directly to the value provided to the customer for services completed to date and all future variable consideration is allocated to wholly unsatisfied performance obligations. The Company also applied the standard's optional exemption for performance obligations related to contracts that have an original expected duration of one year or less. The Company applied the standard's practical expedient that permits an entity to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity would have recognized is one year or less. See Note 5 for additional information and disclosures related to this amended guidance.

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. The guidance requires application using a retrospective transition method. The Company adopted this guidance as of January 1, 2018. The adoption of this guidance did not 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 is effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those years. The Company adopted this guidance as of January 1, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Statement of Cash Flows: Restricted Cash. In November 2016, the FASB issued guidance that requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities are also 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. The Company adopted this guidance as of January 1, 2018. All prior periods have been adjusted to conform to the current period presentation, which resulted in an increase in cash used in investing activities of \$39,494 and \$3,544 for the nine months ended September 30, 2018 and 2017.

Stock Compensation: Scope of Modification Accounting. In May 2017, the FASB issued guidance to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The new standard is effective prospectively for all companies for annual periods beginning on or after December 15, 2017. The Company adopted this guidance as of January 1, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Accounting for the Tax Effects of the Tax Cuts and Jobs Act. On December 22, 2017, the U.S. Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Cuts and Jobs Act (the "Tax Act"). SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under Accounting Standards Codification 740 ("ASC 740"). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

The Tax Act's one-time deemed repatriation transition tax (the "Transition Tax") on certain unrepatriated earnings of non-U.S. subsidiaries is a tax on previously untaxed accumulated and current earnings and profits of certain of the Company's non-U.S. subsidiaries. To determine the amount of the Transition Tax, the Company must determine, in addition to other factors, the amount of post-1986 earnings and profits of the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. In 2017, the Company was able to make a reasonable estimate of the Transition Tax and recorded a provisional Transition Tax obligation of \$1,000. During the three months ended September 30, 2018, the Company concluded its evaluation of the Transition Tax. However, the Company has not concluded on its policy regarding the accounting for the tax impacts of global intangible low-taxed income, and the permanently reinvested amounts attributable to the Company's non-U.S. subsidiaries are considered provisional under SAB 118.

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

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

Accounting Standards Pending Adoption

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 FASB issued new guidance in July 2018, which amends the guidance to allow the issuer to elect from two adoption alternatives: 1) apply the new guidance at the beginning of the earliest comparative period presented; or 2) apply the new guidance at the effective date and recognize a cumulative-effect adjustment, without adjusting the comparative periods presented. The Company plans to apply the new guidance at the effective date and recognize a cumulative effect adjustment.

The Company is assessing the provisions of the lease accounting guidance and has acquired a software solution to manage and account for leases under the new standard. The Company continues to evaluate the impact of the guidance on its consolidated financial statements; however, the Company currently plans to apply the package of practical expedients to leases that commenced before the effective date whereby the Company will elect not to reassess the following: (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) whether initial direct costs exist for any existing leases. The Company is currently assessing the disclosure requirements under the new standard and it anticipates disclosing additional information, as necessary, to comply with the new standard.

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

SEC Simplified and Updated Disclosure Requirements. In August 2018, the U.S. Securities and Exchange Commission (the "SEC") amended its rules to require an analysis of changes in stockholders' equity in the financial statements included in Quarterly Reports on Form 10-Q. The analysis, which can be presented as a note or separate statement, is required for the current and comparative quarter and year-to-date interim periods. The amended rules will become effective 30 days after they are published in the Federal Register; however, the SEC's Division of Corporation Finance issued a Compliance and Disclosure Interpretation (the "CDI") that provides transition guidance related to this new disclosure. The CDI states that the amendments are effective for all filings made on or after the effective date; however, it also states that SEC staff would not object if a filer's first presentation of the changes in stockholders' equity was included in its Form 10-Q for the quarter that begins after the effective date of the amendments, which is the quarter ending March 31, 2019 for the Company. The Company will be including these additional disclosures beginning with its first quarter Form 10-Q in 2019.

4. RECLASSIFICATION

As disclosed within other footnotes of the financial statements, restricted cash and restricted investments reported in the Company's prior year have been reclassified to conform with the 2018 presentation.

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5. REVENUE

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Commercial	\$ 369,543	\$ 342,961	\$ 1,080,261	\$ 1,005,110
Residential	300,026	286,068	881,927	845,493
Industrial and construction roll off	202,130	186,315	573,877	530,219
Total collection	871,699	815,344	2,536,065	2,380,822
Landfill	285,945	261,706	790,056	744,352
Transfer	187,961	155,058	495,317	445,612
Recycling	23,371	43,864	69,559	131,445
E&P	68,049	57,797	189,071	147,662
Intermodal and other	34,261	38,221	105,588	107,418
Intercompany	(190,176)	(165,512)	(524,447)	(483,998)
Total	<u>\$ 1,281,110</u>	<u>\$ 1,206,478</u>	<u>\$ 3,661,209</u>	<u>\$ 3,473,313</u>

The factors that impact the timing and amount of revenue recognized for each service line may vary based on the nature of the service performed. Generally, the Company recognizes revenue at the time it performs a service. In the event that the Company bills for services in advance of performance, it recognizes deferred revenue for the amount billed and subsequently recognizes revenue at the time the service is provided.

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

Revenue by Service Line

Solid Waste Collection

The Company's solid waste collection business involves the collection of waste for transport to transfer stations, or directly to landfills or recycling centers. Solid waste collection services include both recurring and temporary customer relationships. The standard customer service agreements generally range from one to three years in duration, although some exclusive franchises are for significantly longer periods. The fees received for collection services are based primarily on the market, collection frequency, type of service, type and volume or weight of the waste collected, the distance to the disposal facility and the cost of disposal.

In general, residential collection fees are billed monthly or quarterly in advance. Substantially all of the deferred revenue recognized as of June 30, 2018 was recognized as revenue during the three months ended September 30, 2018 when the service was performed. Commercial customers are typically billed on a monthly basis based on the nature of the services provided during the period.

Revenue recognized under these agreements is variable in nature based on the number of residential homes or businesses serviced during the period, the frequency of collection and the volume of waste collected. In addition, certain contracts have annual price escalation clauses that are tied to changes in an underlying base index such as a consumer price index which are unknown at contract inception.

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Solid waste collection revenue from sources other than customer contracts primarily relates to lease revenue associated with compactors. Revenue from these leasing arrangements was not material and represented an insignificant amount of total revenue for each of the reported periods.

Landfill and Transfer Station

Revenue at landfills is primarily generated by charging tipping fees to third parties based on the volume disposed and the nature of the waste. In general, fees are variable in nature and revenue is recognized at the time the waste is disposed at the facility.

Revenue at transfer stations is primarily generated by charging tipping or disposal fees. The fees charged to third parties are based primarily on the market, type and volume or weight of the waste accepted, the distance to the disposal facility and the cost of disposal. In general, fees are billed and revenue is recognized at the time the service is performed. Revenue recognized under these agreements is variable in nature based on the volume of waste accepted at the transfer facility.

Solid Waste Recycling

Solid waste recycling revenues are generated by offering residential, commercial, industrial and municipal customers recycling services for a variety of recyclable materials, including compost, cardboard, office paper, plastic containers, glass bottles and ferrous and aluminum metals. The Company owns recycling operations and sells collected recyclable materials to third parties for processing before resale. In certain instances, the Company issues recycling rebates to municipal or commercial customers, which can be based on the price it receives upon the sale of recycled commodities, a fixed contractual rate or other measures. The Company also receives rebates when it disposes of recycled commodities at third-party facilities. The fees received are based primarily on the market, type and volume or weight of the materials sold. In general, fees are billed and revenue is recognized at the time title is transferred. Revenue recognized under these agreements is variable in nature based on the volume of materials sold. In addition, the amount of revenue recognized is based on commodity prices at the time of sale, which are unknown at contract inception.

E&P Waste Treatment, Recovery and Disposal

E&P revenue is primarily generated through the treatment, recovery and disposal of non-hazardous exploration and production waste from vertical and horizontal drilling, hydraulic fracturing, production and clean-up activity, as well as other services including closed loop collection systems and the sale of recovered products. E&P activity varies across market areas that are tied to the natural resource basins in which the drilling activity occurs and reflects the regulatory environment, pricing and disposal alternatives available in any given market. Revenue recognized under these agreements is variable in nature based on the volume of waste accepted or processed during the period.

Intermodal and Other

Intermodal revenue is primarily generated through providing intermodal services for the rail haul movement of cargo and solid waste containers in the Pacific Northwest through a network of intermodal facilities. The fees received for intermodal services are based on negotiated rates and vary depending on volume commitments by the shipper and destination. In general, fees are billed and revenue is recognized upon delivery.

Revenue Recognition

Service obligations of a long-term nature, e.g., solid waste collection service contracts, are satisfied over time, and revenue is recognized based on the value provided to the customer during the period. The amount billed to the customer is based on variable elements such as the number of residential homes or businesses for which collection services are provided, the volume of waste collected, transported and disposed, and the nature of the waste accepted. The Company does not disclose the value of unsatisfied performance obligations for these contracts as its right to consideration corresponds directly to the value provided to the customer for services completed to date and all future variable consideration is allocated to wholly unsatisfied performance obligations.

Additionally, certain elements of long-term customer contracts are unknown upon entering into the contract, including the amount that will be billed in accordance with annual price escalation clauses, fuel recovery fee programs and commodity prices. The amount to be billed is often tied to changes in an underlying base index such as a consumer price index or a fuel or commodity index, and revenue is recognized once the index is established for the period.

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Accounts Receivable

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

Contract Acquisition Costs

The incremental direct costs of obtaining a contract, which consist of sales incentives, are recognized as Other assets in the Company's condensed consolidated balance sheet, and are amortized to Selling, general and administrative expense over the estimated life of the relevant customer relationship, which ranges from one to five years. The Company applied the standard's practical expedient that permits an entity to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity would have recognized is one year or less. As of September 30, 2018, the Company had \$16,300 of deferred sales incentives. During the three and nine months ended September 30, 2018, the Company recorded amortization expense of \$4,666 and \$13,260, respectively, for sales incentives costs.

6. LANDFILL ACCOUNTING

At September 30, 2018, the Company's landfills consisted of 81 owned landfills, eight landfills operated under life-of-site operating agreements and four landfills operated under limited-term operating agreements. The Company's landfills had site costs with a net book value of \$2,868,628 at September 30, 2018. For the Company's landfills operated under limited-term operating agreements and life-of-site operating agreements, the owner of the property (generally a municipality) usually owns the permit and the Company operates the landfill for a contracted term. Where the contracted term is not the life of the landfill, the property owner is generally responsible for final capping, closure and post-closure obligations. The Company is responsible for all final capping, closure and post-closure liabilities at the landfills it operates under life-of-site operating agreements.

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

Based on remaining permitted capacity as of September 30, 2018, and projected annual disposal volumes, the average remaining landfill life for the Company's owned landfills and landfills operated under life-of-site operating agreements is estimated to be approximately 26 years. As of September 30, 2018, the Company is seeking to expand permitted capacity at 11 of its owned landfills and three landfills that it operates under life-of-site operating agreements, and considers the achievement of these expansions to be probable. Although the Company cannot be certain that all future expansions will be permitted as designed, the average remaining life, when considering remaining permitted capacity, probable expansion capacity and projected annual disposal volume, of the Company's owned landfills and landfills operated under life-of-site operating agreements is approximately 30 years, with lives ranging from approximately 1 to 158 years.

During the nine months ended September 30, 2018 and 2017, the Company expensed \$153,010 and \$147,071, respectively, or an average of \$4.58 and \$4.55 per ton consumed, respectively, related to landfill depletion at owned landfills and landfills operated under life-of-site agreements.

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The Company reserves for estimated final capping, closure and post-closure maintenance obligations at the landfills it owns and landfills it operates under life-of-site operating agreements. The Company calculates the net present value of its final capping, closure and post-closure liabilities by estimating the total obligation in current dollars, inflating the obligation based upon the expected date of the expenditure and discounting the inflated total to its present value using a credit-adjusted risk-free rate. Any changes in expectations that result in an upward revision to the estimated undiscounted cash flows are treated as a new liability and are inflated and discounted at rates reflecting current market conditions. Any changes in expectations that result in a downward revision (or no revision) to the estimated undiscounted cash flows result in a liability that is inflated and discounted at rates reflecting the market conditions at the time the cash flows were originally estimated. This policy results in the Company's final capping, closure and post-closure liabilities being recorded in "layers." The Company's discount rate assumption for purposes of computing 2018 and 2017 "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 2017 and 2016. The Company's inflation rate assumption is 2.5% for the years ending December 31, 2018 and 2017. The resulting final capping, closure and post-closure obligations are recorded on the condensed consolidated balance sheet along with an offsetting addition to site costs which is amortized to depletion expense as the remaining landfill airspace is consumed. Interest is accreted on the recorded liability using the corresponding discount rate. During the nine months ended September 30, 2018 and 2017, the Company expensed \$9,583 and \$8,757 respectively, or an average of \$0.29 and \$0.27 per ton consumed, respectively, related to final capping, closure and post-closure accretion expense.

The following is a reconciliation of the Company's final capping, closure and post-closure liability balance from December 31, 2017 to September 30, 2018:

Final capping, closure and post-closure liability at December 31, 2017	\$ 237,817
Adjustments to final capping, closure and post-closure liabilities	(13,139)
Liabilities incurred	11,750
Accretion expense associated with landfill obligations	9,583
Closure payments	(2,411)
Assumption of closure liabilities from acquisitions	4,408
Foreign currency translation adjustment	(1,098)
Final capping, closure and post-closure liability at September 30, 2018	<u>\$ 246,910</u>

Liabilities incurred of \$11,750 for the nine months ended September 30, 2018, represent non-cash increases to final capping, closure and post-closure liabilities. The adjustment to final capping, closure and post-closure liabilities primarily consisted of decreases in estimated closure and post closure costs at several of the Company's landfills, most notably its Chiquita Canyon landfill, and changes to engineering estimates related to proposed expansions as well as timing of closure events and total site capacity. These decreases were partially offset by increases in estimated post closure costs and adjustments to reduce the remaining lives at certain sites. The Company performs its annual review of its cost and capacity estimates in the first quarter of each year.

At September 30, 2018 and December 31, 2017, \$44,760 and \$43,684, respectively, of the Company's restricted cash balance and \$12,639 and \$12,406, respectively, of the Company's restricted investments balance was for purposes of securing its performance of future final capping, closure and post-closure obligations.

7. ACQUISITIONS

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

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The total acquisition-related costs incurred during the nine months ended September 30, 2018 for these acquisitions was \$4,907. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

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

In addition to the acquisition of Groot, the Company acquired 11 individually immaterial non-hazardous solid waste collection businesses during the nine months ended September 30, 2017. The total acquisition-related costs incurred during the nine months ended September 30, 2017 for these acquisitions was \$4,418. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

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

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The following table summarizes the consideration transferred to acquire these businesses and the preliminary amounts of identifiable assets acquired and liabilities assumed at the acquisition dates for the acquisitions consummated in the nine months ended September 30, 2018 and 2017:

	2018	2017
	Acquisitions	Acquisitions
Fair value of consideration transferred:		
Cash	\$ 500,064	\$ 394,002
Debt assumed	65,010	56,958
Notes issued to sellers	-	13,460
Fair value of operations exchanged	-	81,097
	<u>565,074</u>	<u>545,517</u>
Recognized amounts of identifiable assets acquired and liabilities assumed associated with businesses acquired:		
Accounts receivable	12,817	19,312
Prepaid expenses and other current assets	2,355	4,336
Property and equipment	346,275	167,065
Long-term franchise agreements and contracts	10,888	54,674
Customer lists	27,330	28,033
Indefinite-lived intangibles	-	5,830
Other intangibles	31,183	27,261
Other assets	19	3,052
Accounts payable and accrued liabilities	(3,982)	(12,022)
Deferred revenue	(4,169)	(9,657)
Contingent consideration	(11,669)	(35)
Other long-term liabilities	(15,532)	(1,080)
Deferred income taxes	(391)	(50,283)
Total identifiable net assets	<u>395,124</u>	<u>236,486</u>
Goodwill	<u>\$ 169,950</u>	<u>\$ 309,031</u>

Goodwill acquired during the nine months ended September 30, 2018 and 2017, totaling \$169,559 and \$51,518, respectively, is expected to be deductible for tax purposes.

The fair value of acquired working capital related to five individually immaterial acquisitions completed during the twelve months ended September 30, 2018, is provisional pending receipt of information from the acquirees to support the fair value of the assets acquired and liabilities assumed. Any adjustments recorded relating to finalizing the working capital for these five acquisitions are not expected to be material to the Company's financial position.

The gross amount of trade receivables due under contracts acquired during the nine months ended September 30, 2018, is \$14,015, of which \$1,198 is expected to be uncollectible. The gross amount of trade receivables due under contracts acquired during the nine months ended September 30, 2017, is \$20,025, of which \$713 is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisitions of these businesses.

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8. ASSETS HELD FOR SALE

As of September 30, 2018, assets classified as held for sale consisted of an operating market in the Company's Southern segment. 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 \$4,466 to Impairments and other operating items in the Condensed Consolidated Statements of Net Income during the year ended December 31, 2017. The expected consideration may include cash and non-monetary assets. During the three months ended September 30, 2018, the Company's Southern segment completed the sale of an operation in the Louisiana market for total cash consideration of \$1,250.

The Company's assets and liabilities held for sale as of September 30, 2018 and December 31, 2017, were comprised of the following:

	September 30, 2018	December 31, 2017
Current assets held for sale:		
Cash and equivalents	\$ -	\$ 192
Accounts receivable	735	1,185
Other current assets	59	219
	<u>\$ 794</u>	<u>\$ 1,596</u>
Long-term assets held for sale:		
Property and equipment	\$ 413	\$ 12,623
Goodwill	332	2
	<u>\$ 745</u>	<u>\$ 12,625</u>
Current liabilities held for sale:		
Accounts payable	\$ 157	\$ 804
Accrued liabilities	22	215
Deferred revenue	749	1,136
	<u>\$ 928</u>	<u>\$ 2,155</u>

9. INTANGIBLE ASSETS, NET

Intangible assets, exclusive of goodwill, consisted of the following at September 30, 2018:

	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Amount
Finite-lived intangible assets:				
Long-term franchise agreements and contracts	\$ 483,749	\$ (150,691)	\$ -	\$ 333,058
Customer lists	429,801	(219,104)	-	210,697
Permits and other	349,207	(46,120)	-	303,087
	<u>1,262,757</u>	<u>(415,915)</u>	-	<u>846,842</u>
Indefinite-lived intangible assets:				
Solid waste collection and transportation permits	158,591	-	-	158,591
Material recycling facility permits	42,283	-	-	42,283
E&P facility permits	59,855	-	(38,507)	21,348
	<u>260,729</u>	<u>-</u>	<u>(38,507)</u>	<u>222,222</u>
Intangible assets, exclusive of goodwill	<u>\$ 1,523,486</u>	<u>\$ (415,915)</u>	<u>\$ (38,507)</u>	<u>\$ 1,069,064</u>

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The weighted-average amortization period of long-term franchise agreements and contracts acquired during the nine months ended September 30, 2018 was 16.3 years. The weighted-average amortization period of customer lists acquired during the nine months ended September 30, 2018 was 10.0 years. The weighted-average amortization period of finite-lived permits and other intangibles acquired during the nine months ended September 30, 2018 was 40.0 years.

Intangible assets, exclusive of goodwill, consisted of the following at December 31, 2017:

	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Amount
Finite-lived intangible assets:				
Long-term franchise agreements and contracts	\$ 481,293	\$ (123,591)	\$ -	\$ 357,702
Customer lists	405,683	(180,440)	-	225,243
Permits and other	317,984	(35,715)	-	282,269
	<u>1,204,960</u>	<u>(339,746)</u>	<u>-</u>	<u>865,214</u>
Indefinite-lived intangible assets:				
Solid waste collection and transportation permits	158,591	-	-	158,591
Material recycling facility permits	42,283	-	-	42,283
E&P facility permits	59,855	-	(38,507)	21,348
	<u>260,729</u>	<u>-</u>	<u>(38,507)</u>	<u>222,222</u>
Intangible assets, exclusive of goodwill	<u>\$ 1,465,689</u>	<u>\$ (339,746)</u>	<u>\$ (38,507)</u>	<u>\$ 1,087,436</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, 2018	\$ 105,991
For the year ending December 31, 2019	\$ 95,653
For the year ending December 31, 2020	\$ 85,751
For the year ending December 31, 2021	\$ 75,561
For the year ending December 31, 2022	\$ 65,904

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10. LONG-TERM DEBT

The following table presents the Company's long-term debt as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Revolver under Credit Agreement, bearing interest at 2.93% ^(a)	\$ 169,950	\$ 192,101
Term loan under Credit Agreement, bearing interest at 3.34% ^(a)	1,637,500	1,637,500
2018 Senior Notes	-	50,000
2019 Senior Notes	175,000	175,000
2021 Senior Notes	100,000	100,000
New 2021 Senior Notes	150,000	150,000
2022 Senior Notes	125,000	125,000
2023 Senior Notes	200,000	200,000
2024 Senior Notes	150,000	150,000
2025 Senior Notes	375,000	375,000
2026 Senior Notes	400,000	400,000
2027 Senior Notes	250,000	250,000
Tax-exempt bond, bearing interest at 1.61% ^(a)	15,930	95,430
Notes payable to sellers and other third parties, bearing interest ranging from 2.75% to 24.81% ^(a)	14,950	26,290
	3,763,330	3,926,321
Less – current portion	(1,753)	(11,659)
Less – debt issuance costs	(14,368)	(15,090)
	<u>\$ 3,747,209</u>	<u>\$ 3,899,572</u>

^(a) Interest rates represent the interest rates incurred at September 30, 2018.

2016 Master Note Purchase Agreement

On June 1, 2016 the Company entered into that certain Master Note Purchase Agreement (as supplemented by that certain First Supplement to the 2016 NPA dated as of February 13, 2017 (the “2016 First Supplement”) and as amended, restated, amended and restated, assumed, supplemented or modified from time to time, the “2016 NPA”) with certain accredited institutional investors.

On April 20, 2017, pursuant to the 2016 NPA, and the 2016 First Supplement, the Company issued and sold to certain accredited institutional investors \$400,000 aggregate principal amount of senior unsecured notes consisting of \$150,000 aggregate principal amount, which will mature on April 20, 2024 with an annual interest rate of 3.24% (the “2024 Senior Notes”) and \$250,000 aggregate principal amount, which will mature on April 20, 2027 with an annual interest rate of 3.49% (the “2027 Senior Notes” and collectively with the 2024 Senior Notes, 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.

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On March 21, 2018, the Company entered into that certain Amendment No. 1 to Master Note Purchase Agreement (the “2016 NPA First Amendment”), with each of the holders party thereto, which amended the 2016 NPA.

The 2016 NPA First Amendment, among other things, provided for certain amendments to the 2016 NPA to facilitate (i) certain conforming changes to align certain provisions of the 2016 NPA, the Assumed 2008 NPA (as defined below) and the Credit Agreement (as defined below) and (ii) the release of all subsidiary guarantors in relation to obligations under the 2016 NPA and the 2016 Senior Notes (as defined below) (the “2016 Release”).

Pursuant to the terms and conditions of the 2016 NPA, the Company has outstanding senior unsecured notes (the “2016 Senior Notes”) consisting of (i) \$150,000 of 2.39% senior notes due June 1, 2021 (the “New 2021 Senior Notes”), (ii) \$200,000 of 2.75% senior notes due June 1, 2023 (the “2023 Senior Notes”), (iii) \$400,000 of 3.03% senior notes due June 1, 2026 (the “2026 Senior Notes”) and (iv) \$400,000 of the 2017A Senior Notes. No new notes were issued by the Company in connection with the 2016 NPA First Amendment.

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 \$1,150,000 aggregate principal amount of 2016 Senior Notes that have been issued and sold by the Company, 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 Senior Notes (defined below). Following the 2016 Release, there are currently no subsidiary guarantors in relation to the obligations under the 2016 NPA or the 2016 Senior Notes.

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 par plus a make-whole amount determined by the amount of excess, if any, of 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.

2008 Master Note Purchase Agreement

On June 1, 2016, pursuant to the terms of the Agreement and Plan of Merger dated as of January 18, 2016, Water Merger Sub LLC, a Delaware limited liability company and a wholly-owned subsidiary of Progressive Waste Solutions Ltd., merged with and into Waste Connections US, Inc. (f/k/a Waste Connections, Inc.), a Delaware corporation (“Old Waste Connections”) with Old Waste Connections continuing as the surviving corporation and an indirect wholly-owned subsidiary of Waste Connections, Inc. (f/k/a Progressive Waste Solutions Ltd.), a corporation organized under the laws of Ontario, Canada (the “Progressive Waste acquisition”). 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 Senior 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”). 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 2008 NPA as amended by Amendment No. 1 to the 2008 NPA dated as of July 20, 2009, as supplemented by First Supplement to the 2008 NPA dated as of October 26, 2009, as amended by Amendment No. 2 to the 2008 NPA dated as of November 24, 2010, as supplemented by Second Supplement to the 2008 NPA dated as of April 1, 2011, as amended by Amendment No. 3 to the 2008 NPA dated as of October 12, 2011, as amended by Amendment No. 4 to the 2008 NPA dated as of August 9, 2013, as amended by Amendment No. 5 to the 2008 NPA dated as of February 20, 2015, as supplemented by Third Supplement to the 2008 NPA dated as of June 11, 2015 and as modified by the Assumption Agreement (the 2008 NPA, as so amended, restated, amended and restated, supplemented or otherwise modified from time to time “Assumed 2008 NPA”). 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.

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On March 21, 2018, the Company entered into that certain Amendment No. 7 to the Assumed 2008 NPA (the “2008 NPA Seventh Amendment”), with each of the holders party thereto, which amended the Assumed 2008 NPA. The 2008 NPA Seventh Amendment, among other things, provides certain amendments to the Assumed 2008 NPA to facilitate (i) certain conforming changes to align the provisions of the Assumed 2008 NPA, the 2016 NPA and the Credit Agreement and (ii) the release of all subsidiary guarantors in relation to obligations under the Assumed 2008 NPA and the 2008 Senior Notes (the “2008 Release”).

Pursuant to the terms and conditions of the Assumed 2008 NPA, the Company has outstanding senior unsecured notes (the “2008 Senior Notes”) consisting of \$175,000 of 5.25% senior notes due 2019 (the “2019 Senior Notes”), \$100,000 of 4.64% senior notes due 2021 (the “2021 Senior Notes”), \$125,000 of 3.09% senior notes due 2022 (the “2022 Senior Notes”) and \$375,000 of 3.41% senior notes due 2025 (the “2025 Senior Notes”). The Company redeemed at maturity its \$50,000 of 4.00% senior notes due April 2018 (the “2018 Senior Notes”) on April 2, 2018 using borrowings under its Credit Agreement.

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 \$775,000 aggregate principal amount of 2008 Senior Notes assumed by the Company on June 1, 2016, provided that the purchasers of the 2008 Senior Notes shall not have any obligation to purchase any additional notes issued pursuant to the Assumed 2008 NPA.

The 2008 Senior Notes are unsecured obligations and rank *pari passu* with obligations under the Credit Agreement and the 2016 Senior Notes. Following the 2008 Release, there are no subsidiary guarantors in relation to the Company’s obligations under the Assumed 2008 NPA or the 2008 Senior Notes.

The 2008 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 2008 Senior Notes may be accelerated by the holders of the 2008 Senior Notes. The 2008 Senior Notes may also be prepaid by the Company at par plus a make-whole amount determined by the amount of excess, if any, of the discounted value of the remaining scheduled payments with respect to the called principal of such 2008 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 2008 Senior 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.

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Credit Agreement

Details of the Credit Agreement are as follows:

	September 30, 2018	December 31, 2017
<i>Revolver under Credit Agreement</i>		
Available	\$ 1,252,021	\$ 1,149,813
Letters of credit outstanding	\$ 140,529	\$ 220,586
Total amount drawn, as follows:	\$ 169,950	\$ 192,101
Amount drawn – Canadian prime rate loan	\$ -	\$ 16,739
Interest rate applicable – Canadian prime rate loan	-	3.45%
Amount drawn – Canadian bankers' acceptance	\$ 169,950	\$ 175,362
Interest rate applicable – Canadian bankers' acceptance	2.93%	2.64%
Commitment – rate applicable	0.12%	0.15%
<i>Term loan under Credit Agreement</i>		
Amount drawn – U.S. based LIBOR loan	\$ 1,637,500	\$ 1,637,500
Interest rate applicable – U.S. based LIBOR loan	3.34%	2.77%

On June 1, 2016, the Company entered into that certain Revolving Credit and Term Loan 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.

On March 21, 2018 the Revolving Credit and Term Loan Agreement was amended and restated in its entirety pursuant to an Amended and Restated Revolving Credit and Term Loan Agreement (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Credit Agreement”) entered into by the Company and the Lenders and any other financial institutions from time to time party thereto. Entry into the Credit Agreement, among other things, facilitated the release of each of the Company’s subsidiaries guaranteeing the obligations under the Revolving Credit and Term Loan Agreement. There are no subsidiary guarantors under the Credit Agreement. The Credit Agreement has a scheduled maturity date of March 21, 2023.

Pursuant to the terms and conditions of the Credit Agreement, the Lenders remain committed to providing 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 of the Revolving Credit and Term Loan Agreement and remained and continued to be fully drawn at closing of the Credit Agreement. 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. Existing letters of credit in place under the Revolving Credit and Term Loan Agreement 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.

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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 (as defined below). 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 loans and swing line loans ranges from 0.00% to 0.50%. The Company will also pay a fee based on its Leverage Ratio (as defined below) on the actual daily unused amount of the aggregate revolving commitments.

The borrowings under the Credit Agreement are unsecured. 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 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, to be not less than 2.75 to 1.00.

Tax Exempt Bonds

In February 2018, the Company gave notice to redeem its Pennsylvania Economic Development Corporation IRB Bond with a remaining principal balance of \$35,000. The Company paid in full the principal and accrued interest on this bond on April 2, 2018. In February 2018, the Company gave notice to redeem its Mission Economic Development Corporation IRB Bond with a remaining principal balance of \$24,000. The Company paid in full the principal and accrued interest on this bond on April 2, 2018. In July 2018, the Company gave notice to redeem its 2009 Seneca County Industrial Development Agency IRB Bond with a remaining principal balance of \$5,000. The Company paid in full the principal and accrued interest on this bond on September 4, 2018. The Company's West Valley tax-exempt bond, with a principal amount of \$15,500, matured August 1, 2018. The Company paid in full the principal and accrued interest on this bond on August 1, 2018.

11. SEGMENT REPORTING

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

The Company manages its operations through five geographic operating segments and its E&P segment, which includes the majority of the Company's E&P waste treatment and disposal operations. The Company's five geographic operating segments and its E&P segment comprise the Company's reportable segments. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts.

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, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, eastern Tennessee, Vermont, Virginia and Wisconsin; the Company's Canada segment services customers located in the state of Michigan and in the provinces of Alberta, British Columbia, Manitoba, Ontario, Québec and Saskatchewan; 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.

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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 GAAP and may not be comparable to similarly titled measures reported by other companies. The Company's management uses segment EBITDA in the evaluation of segment operating performance as it is a profit measure that is generally within the control of the operating segments. A reconciliation of segment EBITDA to Income before income tax provision is included at the end of this Note 11.

Summarized financial information concerning the Company's reportable segments for the three and nine months ended September 30, 2018 and 2017, is shown in the following tables:

Three Months Ended September 30, 2018	Revenue	Intercompany Revenue ^(b)	Reported Revenue	Segment EBITDA ^(c)
Southern	\$ 321,306	\$ (38,266)	\$ 283,040	\$ 70,159
Western	303,614	(32,596)	271,018	86,174
Eastern	353,844	(64,347)	289,497	83,721
Canada	211,682	(24,628)	187,054	68,819
Central	213,492	(28,221)	185,271	70,288
E&P	67,348	(2,118)	65,230	35,099
Corporate ^(a)	-	-	-	(8,286)
	<u>\$ 1,471,286</u>	<u>\$ (190,176)</u>	<u>\$ 1,281,110</u>	<u>\$ 405,974</u>

Three Months Ended September 30, 2017	Revenue	Intercompany Revenue ^(b)	Reported Revenue	Segment EBITDA ^(c)
Southern	\$ 317,059	\$ (36,531)	\$ 280,528	\$ 63,171
Western	292,222	(30,345)	261,877	84,861
Eastern	292,124	(45,857)	246,267	74,018
Canada	224,166	(27,111)	197,055	74,369
Central	190,210	(23,850)	166,360	64,607
E&P	56,209	(1,818)	54,391	27,881
Corporate ^(a)	-	-	-	(5,751)
	<u>\$ 1,371,990</u>	<u>\$ (165,512)</u>	<u>\$ 1,206,478</u>	<u>\$ 383,156</u>

Nine Months Ended September 30, 2018	Revenue	Intercompany Revenue ^(b)	Reported Revenue	Segment EBITDA ^(c)
Southern	\$ 951,313	\$ (111,824)	\$ 839,489	\$ 207,853
Western	874,464	(94,584)	779,880	240,006
Eastern	966,571	(164,253)	802,318	225,950
Canada	615,157	(71,290)	543,867	195,390
Central	591,417	(77,337)	514,080	191,840
E&P	186,734	(5,159)	181,575	95,009
Corporate ^(a)	-	-	-	(14,368)
	<u>\$ 4,185,656</u>	<u>\$ (524,447)</u>	<u>\$ 3,661,209</u>	<u>\$ 1,141,680</u>

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Nine Months Ended September 30, 2017	Revenue	Intercompany Revenue ^(b)	Reported Revenue	Segment EBITDA ^(c)
Southern	\$ 957,506	\$ (111,472)	\$ 846,034	\$ 199,280
Western	845,176	(90,217)	754,959	247,475
Eastern	851,880	(133,578)	718,302	209,315
Canada	621,995	(75,846)	546,149	200,283
Central	536,803	(66,716)	470,087	177,975
E&P	143,951	(6,169)	137,782	63,518
Corporate ^(a)	-	-	-	(32,535)
	<u>\$ 3,957,311</u>	<u>\$ (483,998)</u>	<u>\$ 3,473,313</u>	<u>\$ 1,065,311</u>

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

Total assets for each of the Company's reportable segments at September 30, 2018 and December 31, 2017, were as follows:

	September 30, 2018	December 31, 2017
Southern	\$ 2,778,123	\$ 2,718,296
Western	1,583,561	1,573,955
Eastern	2,348,438	2,024,527
Canada	2,562,659	2,677,557
Central	1,452,607	1,297,118
E&P	974,049	981,980
Corporate	492,629	741,248
Total Assets	<u>\$ 12,192,066</u>	<u>\$ 12,014,681</u>

The following tables show changes in goodwill during the nine months ended September 30, 2018 and 2017, by reportable segment:

	Southern	Western	Eastern	Canada	Central	E&P	Total
Balance as of December 31, 2017	\$ 1,436,320	\$ 397,508	\$ 804,133	\$ 1,575,538	\$ 468,275	\$ -	\$ 4,681,774
Goodwill acquired	4,800	666	122,136	151	42,197	-	169,950
Goodwill adjustment for assets held for sale	10,194	-	-	-	-	-	10,194
Impact of changes in foreign currency	-	-	-	(48,622)	-	-	(48,622)
Balance as of September 30, 2018	<u>\$ 1,451,314</u>	<u>\$ 398,174</u>	<u>\$ 926,269</u>	<u>\$ 1,527,067</u>	<u>\$ 510,472</u>	<u>\$ -</u>	<u>\$ 4,813,296</u>

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	<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, 2016	\$ 1,470,023	\$ 376,537	\$ 533,160	\$ 1,465,274	\$ 467,924	\$ 77,343	\$ 4,390,261
Goodwill acquired	7,484	20,906	272,501	7,127	1,013	-	309,031
Goodwill divested	(31,543)	-	(4,276)	-	(667)	-	(36,486)
Impairment loss	-	-	-	-	-	(77,343)	(77,343)
Goodwill adjustment for assets sold	2,205	-	321	-	-	-	2,526
Goodwill adjustment for assets held for sale	(11,080)	-	-	-	-	-	(11,080)
Impact of changes in foreign currency	-	-	-	111,439	-	-	111,439
Balance as of September 30, 2017	<u>\$ 1,437,089</u>	<u>\$ 397,443</u>	<u>\$ 801,706</u>	<u>\$ 1,583,840</u>	<u>\$ 468,270</u>	<u>\$ -</u>	<u>\$ 4,688,348</u>

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

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Southern segment EBITDA	\$ 70,159	\$ 63,171	\$ 207,853	\$ 199,280
Western segment EBITDA	86,174	84,861	240,006	247,475
Eastern segment EBITDA	83,721	74,018	225,950	209,315
Canada segment EBITDA	68,819	74,369	195,390	200,283
Central segment EBITDA	70,288	64,607	191,840	177,975
E&P segment EBITDA	35,099	27,881	95,009	63,518
Subtotal reportable segments	414,260	388,907	1,156,048	1,097,846
Unallocated corporate overhead	(8,286)	(5,751)	(14,368)	(32,535)
Depreciation	(148,232)	(136,941)	(423,866)	(395,008)
Amortization of intangibles	(26,871)	(26,613)	(79,444)	(76,886)
Impairments and other operating items	1,998	(832)	(6,106)	(141,333)
Interest expense	(32,078)	(32,471)	(96,874)	(92,763)
Interest income	1,467	1,656	3,677	3,131
Other income, net	732	1,709	2,376	3,561
Foreign currency transaction loss	(132)	(1,864)	(323)	(3,502)
Income before income tax provision	<u>\$ 202,858</u>	<u>\$ 187,800</u>	<u>\$ 541,120</u>	<u>\$ 362,511</u>

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12. DERIVATIVE FINANCIAL INSTRUMENTS

The Company recognizes all derivatives on the Condensed Consolidated Balance Sheets at fair value. All of the Company's derivatives have been designated as cash flow hedges; therefore, the effective portion of the changes in the fair value of derivatives will be recognized in accumulated other comprehensive income (loss) ("AOCIL") until the hedged item is recognized in earnings. The ineffective portion of the changes in the fair value of derivatives will be immediately recognized in earnings. The Company classifies cash inflows and outflows from derivatives within operating activities on the Condensed Consolidated Statements of Cash Flows.

One of the Company's objectives for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the variable interest rates of certain borrowings under the Credit Agreement. The Company's strategy to achieve that objective involves entering into interest rate swaps. The interest rate swaps outstanding at September 30, 2018 were specifically designated to the Credit Agreement and accounted for as cash flow hedges.

At September 30, 2018, the Company's derivative instruments included 16 interest rate swap agreements as follows:

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

* 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 September 30, 2018, the Company's derivative instruments included one fuel hedge agreement as follows:

Date Entered	Notional Amount (in gallons per month)	Diesel Rate Paid Fixed (per gallon)	Diesel Rate Received Variable	Effective Date	Expiration Date
July 2016	1,000,000	\$ 2.6345	DOE Diesel Fuel Index*	January 2018	December 2018

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

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The fair values of derivative instruments designated as cash flow hedges as of September 30, 2018, were as follows:

Derivatives Designated as Cash Flow Hedges	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and			
	other current assets ^(a)	\$ 11,380	Other long-term liabilities	\$ -
	Other assets, net	25,834		
Fuel hedges	Prepaid expenses and			
	other current assets ^(b)	2,189		
Total derivatives designated as cash flow hedges		<u>\$ 39,403</u>		<u>\$ -</u>

(a) Represents the estimated amount of the existing unrealized gains on interest rate swaps as of September 30, 2018 (based on the interest rate yield curve at that date), included in AOCIL expected to be reclassified into pre-tax earnings within the next 12 months. The actual amounts reclassified into earnings are dependent on future movements in interest rates.

(b) Represents the estimated amount of the existing unrealized gains on the fuel hedge as of September 30, 2018 (based on the forward DOE diesel fuel index curve at that date), included in AOCIL expected to be reclassified into pre-tax earnings within the next 12 months. The actual amounts reclassified into earnings are dependent on future movements in diesel fuel prices.

The fair values of derivative instruments designated as cash flow hedges as of December 31, 2017, were as follows:

Derivatives Designated as Cash Flow Hedges	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and			
	other current assets	\$ 5,193	Accrued liabilities	\$ (903)
	Other assets, net	15,182	Other long-term liabilities	(493)
Fuel hedges	Prepaid expenses and			
	other current assets	3,880		
Total derivatives designated as cash flow hedges		<u>\$ 24,255</u>		<u>\$ (1,396)</u>

The following table summarizes the impact of the Company's cash flow hedges on the results of operations, comprehensive income (loss) and AOCIL for the three and nine months ended September 30, 2018 and 2017:

Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized as AOCIL on Derivatives, Net of Tax (Effective Portion) ^(a)		Statement of Net Income Classification	Amount of (Gain) or Loss Reclassified from AOCIL into Earnings, Net of Tax (Effective Portion) ^{(b),(c)}	
	Three Months Ended September 30,			Three Months Ended September 30,	
	2018	2017		2018	2017
Interest rate swaps	\$ 634	\$ (361)	Interest expense	\$ 3,145	\$ 376
Fuel hedges	222	1,680	Cost of operations	(1,359)	487
Total	\$ 856	\$ 1,319		\$ 1,786	\$ 863

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Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized as AOCIL on Derivatives, Net of Tax (Effective Portion) ^(a)		Statement of Net Income Classification	Amount of (Gain) or Loss Reclassified from AOCIL into Earnings, Net of Tax (Effective Portion) ^{(b),(c)}	
	Nine Months Ended September 30,			Nine Months Ended September 30,	
	2018	2017		2018	2017
Interest rate swaps	\$ 11,634	\$ 224	Interest expense	\$ 1,769	\$ 1,729
Fuel hedges	2,226	(1,030)	Cost of operations	(3,490)	1,704
Total	\$ 13,860	\$ (806)		\$ (1,721)	\$ 3,433

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

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

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

The Company measures and records ineffectiveness on the fuel hedges in Cost of operations in the Condensed Consolidated Statements of Net Income on a monthly basis based on the difference between the DOE index price and the actual price of diesel fuel purchased, multiplied by the notional number of gallons on the contracts. There was no significant ineffectiveness recognized on the fuel hedges during the nine months ended September 30, 2018 and 2017.

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

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13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash and equivalents, trade receivables, restricted cash and investments, trade payables, debt instruments, contingent consideration obligations, interest rate swaps and fuel hedges. As of September 30, 2018 and December 31, 2017, the carrying values of cash and equivalents, trade receivables, restricted cash and investments, trade payables and contingent consideration are considered to be representative of their respective fair values. The carrying values of the Company's debt instruments, excluding certain notes as listed in the table below, approximate their fair values as of September 30, 2018 and December 31, 2017, based on current borrowing rates, current remaining average life to maturity and borrower credit quality for similar types of borrowing arrangements, and are classified as Level 2 within the fair value hierarchy. The carrying values and fair values of the Company's debt instruments where the carrying values do not approximate their fair values as of September 30, 2018 and December 31, 2017, are as follows:

	Carrying Value at		Fair Value* at	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
2018 Senior Notes	\$ -	\$ 50,000	\$ -	\$ 50,223
2019 Senior Notes	\$ 175,000	\$ 175,000	\$ 178,150	\$ 182,547
2021 Senior Notes	\$ 100,000	\$ 100,000	\$ 101,780	\$ 104,985
New 2021 Senior Notes	\$ 150,000	\$ 150,000	\$ 144,299	\$ 146,855
2022 Senior Notes	\$ 125,000	\$ 125,000	\$ 121,062	\$ 124,532
2023 Senior Notes	\$ 200,000	\$ 200,000	\$ 188,988	\$ 194,660
2024 Senior Notes	\$ 150,000	\$ 150,000	\$ 143,651	\$ 149,133
2025 Senior Notes	\$ 375,000	\$ 375,000	\$ 358,141	\$ 375,311
2026 Senior Notes	\$ 400,000	\$ 400,000	\$ 369,921	\$ 388,760
2027 Senior Notes	\$ 250,000	\$ 250,000	\$ 236,409	\$ 250,029

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

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

14. NET INCOME PER SHARE INFORMATION

The following table sets forth the calculation of the numerator and denominator used in the computation of basic and diluted net income per common share attributable to the Company's shareholders for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Numerator:				
Net income attributable to Waste Connections for basic and diluted earnings per share	\$ 150,843	\$ 123,227	\$ 414,393	\$ 261,732
Denominator:				
Basic shares outstanding	263,628,838	263,443,064	263,657,274	263,298,839
Dilutive effect of equity-based awards	765,919	856,408	719,046	810,544
Diluted shares outstanding	264,394,757	264,299,472	264,376,320	264,109,383

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15. FAIR VALUE MEASUREMENTS

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

The Company's financial assets and liabilities recorded at fair value on a recurring basis include derivative instruments and restricted cash and investments. The Company's derivative instruments are pay-fixed, receive-variable interest rate swaps and pay-fixed, receive-variable diesel fuel hedges. The Company's interest rate swaps are recorded at their estimated fair values based on quotes received from financial institutions that trade these contracts. The Company verifies the reasonableness of these quotes using similar quotes from another financial institution as of each date for which financial statements are prepared. The Company uses a discounted cash flow ("DCF") model to determine the estimated fair value of the diesel fuel hedges. The assumptions used in preparing the DCF model include: (i) estimates for the forward DOE index curve; and (ii) the discount rate based on risk-free interest rates over the term of the hedge contracts. The DOE index curve used in the DCF model was obtained from financial institutions that trade these contracts and ranged from \$3.36 to \$3.39 at September 30, 2018 and from \$2.95 to \$3.00 at December 31, 2017. The weighted average DOE index curve used in the DCF model was \$3.38 and \$2.96 at September 30, 2018 and December 31, 2017, 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 cash and investments are valued at quoted market prices in active markets for similar assets, which the Company receives from the financial institutions that hold such investments on its behalf. The Company's restricted cash and investments measured at fair value are invested primarily in U.S. government and agency securities, money market accounts and Canadian bankers' acceptance notes.

The Company's assets and liabilities measured at fair value on a recurring basis at September 30, 2018 and December 31, 2017, were as follows:

	Fair Value Measurement at September 30, 2018 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	\$ 37,214	\$ -	\$ 37,214	\$ -
Fuel hedge derivative instrument – net asset position	\$ 2,189	\$ -	\$ -	\$ 2,189
Restricted cash and investments	\$ 126,221	\$ -	\$ 126,221	\$ -
Contingent consideration	\$ (55,024)	\$ -	\$ -	\$ (55,024)

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Fair Value Measurement at December 31, 2017 Using

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap derivative instruments – net asset position	\$ 18,979	\$ -	\$ 18,979	\$ -
Fuel hedge derivative instrument – net asset position	\$ 3,880	\$ -	\$ -	\$ 3,880
Restricted cash and investments	\$ 165,592	\$ -	\$ 165,592	\$ -
Contingent consideration	\$ (47,285)	\$ -	\$ -	\$ (47,285)

The following table summarizes the changes in the fair value for Level 3 derivatives for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,	
	2018	2017
Beginning balance	\$ 3,880	\$ (264)
Realized (gains) losses included in earnings	(4,647)	2,765
Unrealized gains (losses) included in AOCIL	2,956	(1,672)
Ending balance	\$ 2,189	\$ 829

The following table summarizes the changes in the fair value for Level 3 liabilities related to contingent consideration for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,	
	2018	2017
Beginning balance	\$ 47,285	\$ 51,826
Contingent consideration recorded at acquisition date	11,669	35
Payment of contingent consideration recorded at acquisition date	(5,459)	(5,840)
Payment of contingent consideration recorded in earnings	(11)	-
Adjustments to contingent consideration	349	17,754
Reclass earned contingent consideration to accrued liabilities	-	(20,464)
Interest accretion expense	1,308	1,381
Foreign currency translation adjustment	(117)	263
Ending balance	\$ 55,024	\$ 44,955

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16. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) includes changes in the fair value of interest rate swaps and fuel hedges that qualify for hedge accounting. The components of other comprehensive income (loss) and related tax effects for the three and nine months ended September 30, 2018 and 2017 are as follows:

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

Three months ended September 30, 2017			
	Gross	Tax effect	Net of tax
Interest rate swap amounts reclassified into interest expense	\$ 511	\$ (135)	\$ 376
Fuel hedge amounts reclassified into cost of operations	789	(302)	487
Changes in fair value of interest rate swaps	2,181	(2,542)	(361)
Changes in fair value of fuel hedges	2,717	(1,037)	1,680
Foreign currency translation adjustment	84,500	-	84,500
	<u>\$ 90,698</u>	<u>\$ (4,016)</u>	<u>\$ 86,682</u>

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

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	Nine months ended September 30, 2017		
	Gross	Tax effect	Net of tax
Interest rate swap amounts reclassified into interest expense	\$ 2,352	\$ (623)	\$ 1,729
Fuel hedge amounts reclassified into cost of operations	2,765	(1,061)	1,704
Changes in fair value of interest rate swaps	305	(81)	224
Changes in fair value of fuel hedges	(1,672)	642	(1,030)
Foreign currency translation adjustment	155,153	-	155,153
	<u>\$ 158,903</u>	<u>\$ (1,123)</u>	<u>\$ 157,780</u>

A rollforward of the amounts included in AOCIL, net of taxes, for the nine months ended September 30, 2018 and 2017, is as follows:

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

	Fuel Hedges	Interest Rate Swaps	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2016	\$ (164)	\$ 8,094	\$ (50,931)	\$ (43,001)
Amounts reclassified into earnings	1,704	1,729	-	3,433
Changes in fair value	(1,030)	224	-	(806)
Foreign currency translation adjustment	-	-	155,153	155,153
Balance at September 30, 2017	<u>\$ 510</u>	<u>\$ 10,047</u>	<u>\$ 104,222</u>	<u>\$ 114,779</u>

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

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17. SHAREHOLDERS' EQUITY

Share-Based Compensation

Restricted Share Units

A summary of activity related to restricted share units ("RSUs") during the nine-month period ended September 30, 2018, is presented below:

	Unvested Shares
Outstanding at December 31, 2017	1,042,014
Granted	496,217
Forfeited	(53,063)
Vested and issued	(480,577)
Vested and deferred	(3,653)
Outstanding at September 30, 2018	<u>1,000,938</u>

The weighted average grant-date fair value per share for the common shares underlying the RSUs granted during the nine-month period ended September 30, 2018 was \$69.22.

Recipients of RSUs who participate in the Company's Nonqualified Deferred Compensation Plan may have elected in years prior to 2015 to defer some or all of their RSUs as they vest until a specified date or dates they choose. At the end of the deferral periods, unless a qualified participant makes certain other elections, the Company issues to recipients who deferred their RSUs common shares of the Company underlying the deferred RSUs. At September 30, 2018 and 2017, the Company had 264,374 and 352,214 vested deferred RSUs outstanding, respectively.

Performance-Based Restricted Share Units

A summary of activity related to performance-based restricted share units ("PSUs") during the nine-month period ended September 30, 2018, is presented below:

	Unvested Shares
Outstanding at December 31, 2017	514,461
Granted	178,377
Forfeited	(2,071)
Vested and issued	(154,181)
Outstanding at September 30, 2018	<u>536,586</u>

During the nine months ended September 30, 2018, the Compensation Committee granted PSUs with three-year performance-based metrics that the Company must meet before those awards may be earned, and the performance period for those grants ends on December 31, 2020. During the same period, the Compensation Committee also granted PSUs with a one-year performance-based metric that the Company must meet before those awards may be earned, with the awards then subject to time-based vesting for the remaining three years of their four-year vesting period. The Compensation Committee will determine the achievement of performance results and corresponding vesting of PSUs for each performance period. The weighted average grant-date fair value per share for the common shares underlying all PSUs granted during the nine-month period ended September 30, 2018 was \$69.04.

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Deferred Share Units

A summary of activity related to deferred share units ("DSUs") during the nine-month period ended September 30, 2018, is presented below:

	Vested Shares
Outstanding at December 31, 2017	13,138
Granted	4,038
Outstanding at September 30, 2018	<u>17,176</u>

The DSUs consist of a combination of DSU grants outstanding under the Progressive Waste share-based compensation plans that were continued by the Company following the Progressive Waste acquisition and DSUs granted by the Company since the Progressive Waste acquisition. The weighted average grant-date fair value per share for the common shares underlying the DSUs granted during the nine-month period ended September 30, 2018 was \$70.47.

Other Restricted Share Units

RSU grants outstanding under the Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for the issuance of shares or cash settlement to employees upon vesting. A summary of activity related to Progressive Waste RSUs during the nine-month period ended September 30, 2018, is presented below:

Outstanding at December 31, 2017	158,510
Cash settled	(27,059)
Forfeited	(2,435)
Outstanding at September 30, 2018	<u>129,016</u>

A summary of vesting activity related to Progressive Waste RSUs during the nine-month period ended September 30, 2018, is presented below:

Vested at December 31, 2017	138,054
Vested over remaining service period	14,695
Cash settled	(27,059)
Forfeited	(2,435)
Vested at September 30, 2018	<u>123,255</u>

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

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Other Performance-Based Restricted Share Units

PSU grants outstanding under the Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for cash settlement only to employees upon vesting based on achieving target results. A summary of activity related to Progressive Waste PSUs during the nine-month period ended September 30, 2018, is presented below:

Outstanding at December 31, 2017	55,602
Cash settled, net of notional dividend	(27,033)
Forfeited	(1,909)
Outstanding at September 30, 2018	<u>26,660</u>

A summary of vesting activity related to Progressive Waste PSUs during the nine-month period ended September 30, 2018, is presented below:

Vested at December 31, 2017	28,407
Vested over remaining service period	25,417
Cash settled, net of notional dividend	(27,033)
Forfeited	(1,909)
Vested at September 30, 2018	<u>24,882</u>

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

Share Based Options

Share based options outstanding under the Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for the issuance of shares or cash settlement to employees upon vesting. A summary of activity related to Progressive Waste share based options during the nine-month period ended September 30, 2018, is presented below:

Outstanding at December 31, 2017	236,616
Cash settled	(71,460)
Outstanding at September 30, 2018	<u>165,156</u>

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

Normal Course Issuer Bid

On July 24, 2018, the Board of Directors of the Company approved, subject to receipt of regulatory approvals, the annual renewal of the Company's normal course issuer bid (the "NCIB") to purchase up to 13,174,976 of the Company's common shares during the period of August 8, 2018 to August 7, 2019 or until such earlier time as the NCIB is completed or terminated at the option of the Company. The renewal followed on the conclusion of the Company's NCIB that expired August 7, 2018. The Company received Toronto Stock Exchange (the "TSX") approval for its annual renewal of the NCIB on August 2, 2018. Under the NCIB, the Company may make share repurchases only in the open market, including on the New York Stock Exchange (the "NYSE"), the TSX, and/or alternative Canadian trading systems, at the prevailing market price at the time of the transaction.

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In accordance with TSX rules, any daily repurchases made through the TSX and alternative Canadian trading systems is limited to a maximum of 71,114 common shares, which represents 25% of the average daily trading volume on the TSX of 284,459 common shares for the period from February 1, 2018 to July 31, 2018. The TSX rules also allow the Company to purchase, once a week, a block of common shares not owned by any insiders, which may exceed such daily limit. The maximum number of shares that can be purchased per day on the NYSE will be 25% of the average daily trading volume for the four calendar weeks preceding the date of purchase, subject to certain exceptions for block purchases.

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

During the nine months ended September 30, 2018, the Company repurchased 594,474 common shares pursuant to its NCIB in effect during such period at an aggregate cost of \$42,040. For the nine months ended September 30, 2017, the Company did not repurchase any common shares pursuant to the NCIB in effect during that period. As of September 30, 2018, the remaining maximum number of shares available for repurchase under the NCIB was 12,587,332.

Cash Dividend

In October 2017, the Company announced that its Board of Directors increased its regular quarterly cash dividend by \$0.02, from \$0.12 to \$0.14 per share. Cash dividends of \$110,447 and \$95,201 were paid during the nine months ended September 30, 2018 and 2017, respectively.

18. COMMITMENTS AND CONTINGENCIES

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

In addition, the Company is a party to various claims and suits pending for alleged damages to persons and property, alleged violations of certain laws and alleged liabilities arising out of matters occurring during the normal operation of the Company's business. Except as noted in the matters described below, as of September 30, 2018, there is no current proceeding or litigation involving the Company or its property that the Company believes could have a material adverse effect on its business, financial condition, results of operations or cash flows.

Lower Duwamish Waterway Superfund Site Allocation Process

In November 2012, the Company's subsidiary, Northwest Container Services, Inc. ("NWCS"), was named by the U.S. Environmental Protection Agency, Region 10 (the "EPA") as a potentially responsible party ("PRP"), along with more than 100 others, under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or the "Superfund" law) with respect to the Lower Duwamish Waterway Superfund Site (the "LDW Site"). Listed on the National Priorities List in 2001, the LDW Site is a five-mile stretch of the Duwamish River flowing into Elliott Bay in Seattle, Washington. A group of PRPs known as the Lower Duwamish Working Group ("LDWG") and consisting of the City of Seattle, King County, the Port of Seattle, and Boeing Company conducted a Remedial Investigation/Feasibility Study for the LDW Site. On December 2, 2014, the EPA issued its Record of Decision (the "ROD") describing the selected clean-up remedy, and therein estimated that clean-up costs (in present value dollars as of November 2014) would total approximately \$342,000. However, it is possible that additional costs could be incurred based upon various factors. The EPA estimates that it will take seven years to implement the clean-up. The ROD also requires ten years of monitoring following the clean-up, and provides that if clean-up goals have not been met by the end of this period, then additional clean-up activities, at additional cost, may be required at that time. Implementation of the clean-up will not begin until after the ongoing Early Action Area ("EAA") clean-ups have been completed. Typically, costs for monitoring may be in addition to those expended for the clean-up. While three of the EAA clean-ups have been completed to date, some work remains to be done on three other EAAs. Implementation of the clean-up also must await additional baseline sampling throughout the LDW Site and the preparation of a remedial design for performing the clean-up. On April 27, 2016, the LDWG entered into a third amendment of its Administrative Order on Consent with the EPA (the "AOC 3") in which it agreed to perform the additional baseline sediment sampling and certain technical studies needed to prepare the actual remedial design. The LDWG and EPA entered into a fourth amendment to the AOC in July 2018 primarily addressing development of a proposed remedy for the upper reach of the LDW Site, river mile 3 to river mile 5.

WASTE CONNECTIONS, INC.
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On August 16, 2016, the EPA sent individual letters to each of the PRPs for the LDW Site, including NWCS, stating that it expects to initiate negotiations with all PRPs in early 2018 relating to a Remedial Design/Remedial Action (“RD/RA”) Consent Decree. An RD/RA Consent Decree provides for the cleanup of the entire site and is often referred to as a “global settlement.” In August 2014, NWCS entered into an Alternative Dispute Resolution Memorandum of Agreement with several dozen other PRPs and a neutral allocator to conduct a confidential and non-binding allocation of certain past response costs allegedly incurred at the LDW Site as well as the anticipated future response costs associated with the clean-up. The pre-remedial design work under the AOC 3 is now not expected to conclude until the end of 2019, and in March 2017, the PRPs provided the EPA with notice that the allocation is not scheduled to conclude until mid-2019. With recent extensions, the allocation is now scheduled to conclude in early 2020. In June 2017, attorneys for the EPA informed attorneys for several PRPs that the EPA expected to begin RD/RA negotiations in the late summer or early fall of 2018. Those negotiations have not been scheduled and there is no recent indication from the EPA regarding when they will begin. The Company cannot provide assurance that the EPA’s schedule can be met or will be adjusted. NWCS is defending itself vigorously in this confidential allocation process. At this point, the Company is not able to determine the likelihood of the allocation process being completed as intended by the participating PRPs, its specific allocation, or the likelihood of the parties then negotiating a global settlement with the EPA. Thus, NWCS cannot reasonably determine the likelihood of any outcome in this matter, including its potential liability.

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

Los Angeles County, California Landfill Expansion Litigation

A. Chiquita Canyon, LLC Lawsuit Against Los Angeles County

In October 2004, the Company’s subsidiary, Chiquita Canyon, LLC (“CCL”), then under prior ownership, filed an application (the “Application”) with the County of Los Angeles (the “County”) Department of Regional Planning (“DRP”) for a conditional use permit (the “CUP”) to authorize the continued operation and expansion of the Chiquita Canyon Landfill (the “Landfill”). The Landfill has operated since 1972, and as a regional landfill, accepted approximately three million tons of materials for disposal and beneficial use in 2016. The Application requested expansion of the existing waste footprint on CCL’s contiguous property, an increase in maximum elevation, creation of a new entrance and new support facilities, construction of a facility for the County or another third-party operator to host household hazardous waste collection events, designation of an area for mixed organics/composting, and other modifications.

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

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

On December 6, 2017, the County filed a demurrer to the Complaint arguing that the Complaint is legally insufficient to proceed. At an initial trial-setting hearing on February 8, 2018, the Superior Court suggested that the Complaint should be amended to separate the claims seeking a writ of mandamus against the County. CCL filed its First Amended Complaint on March 23, 2018. The County filed its demurrer and motion to strike challenging portions of the First Amended Complaint on April 25, 2018. CCL filed its combined opposition to the demurrer and motion to strike on July 3, 2018. The County filed a combined reply brief on July 10, 2018. The hearing on the demurrer took place on July 17, 2018. The Court sustained the demurrer and granted the motion to strike. The effect of the Court's rulings is to bar CCL from proceeding with its challenges to 14 of the 29 CUP conditions at issue in the litigation, including 13 operational conditions and CCL's challenge to the \$11,600 B&T Fee discussed below. The Court set a trial date of June 18, 2019 for the remaining mandamus claims. The Court granted CCL leave to amend its Complaint if CCL chose to pay the \$11,600 B&T fee to allow a challenge to the B&T fee to proceed under the Mitigation Fee Act. CCL paid the \$11,600 B&T fee on August 10, 2018 and filed its Second Amended Complaint on August 16, 2018, reflecting that the B&T fee had been paid under protest and allowing the challenges to the B&T fee to go forward.

On September 14, 2018, CCL appealed to the California Court of Appeal the Superior Court's July 17, 2018 decision barring the challenge to 13 operational conditions. On October 5, 2018, the Court of Appeal decided to hear CCL's appeal and issued an order to show cause, setting a briefing schedule and calendaring oral argument for January 9, 2019. CCL will vigorously prosecute the lawsuit. However, at this point, the Company is not able to determine the likelihood of any outcome in this matter.

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

A separate lawsuit involving CCL and the Landfill was filed on August 24, 2017 by community activists alleging that the environmental review underlying the CUP was inadequate under state law. The Val Verde Civic Association, Citizens for Chiquita Canyon Landfill Compliance, and the Santa Clarita Organization for Planning the Environment filed a petition for writ of mandate in the Superior Court of California, County of Los Angeles against the County, naming CCL as the real party in interest. The lawsuit seeks to overturn the County's approval of the CUP for the expansion of the Landfill and the certification of the final Environmental Impact Report, arguing that the report violates the California Environmental Quality Act. Pursuant to Condition No. 6 of the CUP, which requires CCL to defend, indemnify, and hold harmless the County, its agents, officers, and employees from any claim or proceeding against the County brought by any third party to attack, set aside, void, or annul the CUP approval, CCL has agreed to reimburse the County for its legal costs associated with defense of the lawsuit. As the real party in interest, CCL has a right to notice and an opportunity to be heard in opposition to the petition for writ of mandate. The petitioners filed their Opening Brief with the court on September 27, 2018. CCL is scheduled to file its Opposition Brief with the court on November 28, 2018 and the petitioners are scheduled to file their Reply Brief on December 20, 2018. A trial date is scheduled for February 8, 2019. CCL intends to vigorously defend the lawsuit as the real party in interest. However, at this point, the Company is not able to determine the likelihood of any outcome in this matter.

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C. Solid Waste Management Fee Enforcement Order

On September 15, 2016, CCL received a letter from the County's Department of Public Works ("DPW"), which alleged that from October 2011 to September 2014, CCL underpaid the County Solid Waste Management Fee in violation of the Los Angeles County Code. An invoice totaling more than \$5,100, which included certain fees and penalties, was attached to the letter, with 30-day payment terms. DPW argues that the penalty continues to accrue, and as of July 31, 2018 the penalties were calculated by DPW at \$3,079, for a total fee and penalty assessment of \$5,515.

On September 29, 2016, CCL submitted an initial response to the DPW letter. CCL filed a protective administrative appeal on October 13, 2016. DPW responded on July 27, 2017, after the CUP was approved, rejecting CCL's arguments and stating its intention to proceed with an Enforcement Order if the outstanding invoice was not paid. CCL responded on August 25, 2017, addressing each point raised by DPW and reiterated its position that no additional fees were due.

On August 30, 2017, DPW issued an Enforcement Order seeking payment of the Solid Waste Management Fee and the administrative penalties that had allegedly accrued through March 2015, together totaling more than \$5,100. CCL filed a timely administrative appeal of the order on September 28, 2017. CCL negotiated with County Counsel to set a briefing schedule, hearing date for the appeal, and selection of a neutral hearing officer. A prehearing order was entered on July 9, 2018 by the hearing officer and CCL and DPW proceeded to exchange briefs, exhibits, and written testimony of witnesses.

A two-day evidentiary hearing on DPW's Enforcement Order occurred on September 11-12, 2018. Post-hearing briefing is underway. It is uncertain when a decision will be issued. CCL has a right to challenge in State court any decision of the hearing officer that is not supported by the law or substantial evidence. At this point, the Company is not able to determine the likelihood of any outcome in this matter.

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

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

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

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Florida Default Judgment

On January 5, 2017, a state court in Miami, Florida entered a \$10,000 final judgment (“Judgment”) against the Company’s subsidiary, Progressive Waste Solutions of FL, Inc. (“Progressive”), which is now known as Waste Connections of Florida, Inc. The Judgment was the result of a default against Progressive for failure to respond to or otherwise defend itself against a complaint filed on July 21, 2015, prior to the closing of the Progressive Waste acquisition. The Company and Progressive learned of the Judgment on March 6, 2018. On March 20, 2018, Progressive filed a motion to set aside judgment and requested that the trial court (1) allow the case to proceed on the merits, (2) stay any efforts to execute or collect on the Judgment, and (3) dissolve any and all writs of garnishment. The trial judge denied the motion on April 10, 2018. Progressive continues to vigorously defend itself from the Judgment. On May 2, 2018, Progressive filed an appeal of the April 10, 2018 order and posted a civil supersedeas bond to stop all efforts to collect on the Judgment pending the outcome of its appeal. The appeal has been fully briefed and is scheduled for oral argument on December 4, 2018. At this time, the Company is unable to express an opinion on the likelihood of an unfavorable outcome to Progressive or express an opinion on the amount or range of potential loss in the event of an unfavorable outcome. As a result, the Company has not accrued any liability for the Judgment.

Town of Colonie, New York Landfill Expansion Litigation

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

On May 7, 2018, the Town of Halfmoon, New York, and five of its residents, commenced an Article 78 special proceeding in the Supreme Court of the State of New York, Saratoga County, against DEC, the Town, CRL, and the Company (the “Halfmoon Proceeding”). On that same date, the Town of Waterford, New York, and eleven of its residents, also commenced an Article 78 special proceeding in the Supreme Court of the State of New York, Saratoga County, against the same respondents (the “Waterford Proceeding”). On June 15, 2018, the Waterford Petitioners served an Amended Verified Petition, removing the Company as a respondent. The Halfmoon Petitioners served an Amended Verified Petition on July 5, 2018, retaining all originally-named parties. The Company has moved to dismiss the Halfmoon Amended Verified Petition and that motion is fully submitted to the court.

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

On July 13, 2018, the court granted a venue change motion filed by DEC, and ordered that the Halfmoon and Waterford Proceedings be transferred to the Supreme Court, Albany County. No return date has been established by the court, but Article 78 proceedings are intended to be resolved expeditiously, and generally without discovery.

CRL’s opposition submissions, including its responsive pleadings, Memorandum of Law, and supporting Affidavits, were filed and served on or before July 25, 2018. On August 28, 2018, the Towns of Waterford and Halfmoon filed a motion seeking an order preliminarily enjoining during the pendency of the proceedings all activities relating to the expansion of the Landfill which are authorized by the Permits. On September 18, 2018, CRL and the Company filed and served Memoranda of Law in opposition to the preliminary injunction motion, with supporting Affidavits, and that motion is fully submitted to the court.

CRL (and, if it remains a respondent, the Company), will vigorously oppose the Halfmoon and Waterford Proceedings. CRL believes that, in issuing the Permits, DEC followed the appropriate statutory and regulatory procedures and made a reasoned determination that is well-supported by the factual record. However, at this point, the Company is not able to determine the likelihood of any outcome in these proceedings.

19. SUBSEQUENT EVENTS

On October 29, 2018, the Company announced that its Board of Directors increased its regular quarter cash dividend by \$0.02, from \$0.14 to \$0.16 per Company common share, and then declared a regular quarterly cash dividend of \$0.16 per Company common share. The dividend will be paid on November 27, 2018, to shareholders of record on the close of business on November 13, 2018.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q are forward-looking in nature, including statements related to our ability to draw on our Credit Agreement or raise other capital, the responsibilities of our subsidiaries with regard to possible cleanup obligations imposed by the EPA or other regulatory authorities, the impact of global, regional and local economic conditions, including the price of crude oil, on our volume, business and results of operations, the effects of seasonality on our business and results of operations, our ability to address any impacts of inflation on our business, demand for recyclable commodities (including landfill gas reclamation) and recyclable commodity pricing, our expectations with respect to capital expenditures, our expectations with respect to our ability to obtain expansions of permitted landfill capacity and to provide collection services under exclusive arrangements, our expectations with respect to our normal course issuer bid (our share repurchase program) and future dividend payments, our expectations with respect to the outcomes of our legal proceedings, our expectations with respect to the potential financial impairment of our reporting units caused by dispositions of certain operating units, our expectations about new accounting standards, our expectations about potential non-performance by counterparties to our hedge agreements and our expectations with respect to the anticipated benefits of any acquisitions. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should" or "anticipates," or the negative thereof or comparable terminology, or by discussions of strategy.

Factors that could cause actual results to differ from those projected include, but are not limited to, those listed below and elsewhere in this report. There may be additional risks of which we are not presently aware or that we currently believe are immaterial which could have an adverse impact on our business. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances that may change, except where we are expressly required to do so by law.

Our business and operations are subject to a variety of risks and uncertainties and, consequently, actual results may differ materially from those projected by any forward-looking statements. Factors that could cause actual results to differ from those projected include, but are not limited to, the following:

- Our industry is highly competitive and includes companies with lower prices, return expectations or other advantages, and governmental service providers, which could adversely affect our ability to compete and our operating results;
- We may lose contracts through competitive bidding, early termination or governmental action;
- Price increases may not be adequate to offset the impact of increased costs, or may cause us to lose customers;
- Our results are vulnerable to economic conditions;
- Our financial and operating performance may be affected by the inability to renew landfill operating permits, obtain new landfills and expand existing ones;
- Increases in labor costs could impact our financial results;
- Competition for acquisition candidates, consolidation within the waste industry and economic and market conditions may limit our ability to grow through acquisitions;
- A portion of our growth and future financial performance depends on our ability to integrate acquired businesses, and the success of our acquisitions;
- The seasonal nature of our business and "event-driven" waste projects cause our results to fluctuate;
- Our results will be affected by changes in recycled commodity prices;
- Our results will be affected by changes in the value of renewable fuels;
- Lower crude oil prices may adversely affect the level of exploration, development and production activity of E&P companies and the demand for our E&P waste services;

- Increases in the price of diesel or compressed natural gas fuel may adversely affect our collection business and reduce our operating margins;
- Our financial results are based upon estimates and assumptions that may differ from actual results;
- Our accruals for our landfill site closure and post-closure costs may be inadequate;
- Increases in insurance costs and the amount that we self-insure for various risks could reduce our operating margins and reported earnings;
- We may be subject in the normal course of business to judicial, administrative or other third-party proceedings that could interrupt or limit our operations, require expensive remediation, result in adverse judgments, settlements or fines and create negative publicity;
- Pending or future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements;
- Our financial results could be adversely affected by impairments of goodwill, indefinite-lived intangibles or property and equipment;
- Income taxes may be uncertain;
- Future changes to U.S., Canadian and foreign tax laws could materially adversely affect us;
- Each business that we acquire or have acquired may have liabilities or risks that we fail or are unable to discover, or that become more adverse to our business than we anticipated at the time of acquisition;
- Our indebtedness could adversely affect our financial condition and limit our financial flexibility;
- We may be unable to obtain performance or surety bonds, letters of credit or other financial assurances or to maintain adequate insurance coverage;
- Our operations in Canada expose us to exchange rate fluctuations that could adversely affect our financial performance and our reported results of operations;
- Alternatives to landfill disposal may cause our revenues and operating results to decline;
- Labor union activity could divert management attention and adversely affect our operating results;
- We could face significant withdrawal liability if we withdraw from participation in one or more multiemployer pension plans in which we participate and the accrued pension benefits are not fully funded;
- We rely on computer systems to run our business and disruptions or privacy breaches in these systems could impact our ability to service our customers and adversely affect our financial results, damage our reputation, and expose us to litigation risk;
- Extensive and evolving environmental, health and safety laws and regulations may restrict our operations and growth and increase our costs;
- Our business is subject to operational and safety risks, including the risk of personal injury to employees and others;
- Future changes in laws regulating the flow of solid waste in interstate commerce could adversely affect our operating results;
- Extensive regulations that govern the design, operation, expansion and closure of landfills may restrict our landfill operations or increase our costs of operating landfills;

- Our E&P waste business could be adversely affected by changes in laws regulating E&P waste;
- Liabilities for environmental damage may adversely affect our financial condition, business and earnings;
- We depend significantly on the services of the members of our senior and regional management team, and the departure of any of those persons could cause our operating results to suffer;
- Our decentralized decision-making structure could allow local managers to make decisions that may adversely affect our operating results; and
- If we are not able to develop and protect intellectual property, or if a competitor develops or obtains exclusive rights to a breakthrough technology, our financial results may suffer.

These risks and uncertainties, as well as others, are discussed in greater detail in this Quarterly Report on Form 10-Q and in other filings with the U.S. Securities and Exchange Commission, or SEC, made by the Company, including its most recent Annual Report on Form 10-K, as well as in the Company's filings during the year with the Canadian Securities Administrators. There may be additional risks of which we are not presently aware or that we currently believe are immaterial which could have an adverse impact on our business. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances that may change, except where we are expressly required to do so by law.

OVERVIEW OF OUR BUSINESS

We are an integrated solid waste services company that provides waste collection, transfer, disposal and recycling services in mostly exclusive and secondary markets in the U.S. and Canada. Through our R360 Environmental Solutions subsidiary, we are also a leading provider of non-hazardous exploration and production, or E&P, waste treatment, recovery and disposal services in several of the most active natural resource producing areas in the U.S. We also provide intermodal services for the rail haul movement of cargo and solid waste containers in the Pacific Northwest through a network of intermodal facilities.

We seek to avoid highly competitive, large urban markets and instead target markets where we can attain high market share either through exclusive contracts, vertical integration or asset positioning. In markets where waste collection services are provided under exclusive arrangements, or where waste disposal is municipally owned or funded or available at multiple municipal sources, we believe that controlling the waste stream by providing collection services under exclusive arrangements is often more important to our growth and profitability than owning or operating landfills. We also target niche markets, like E&P waste treatment and disposal services.

As of September 30, 2018, we served residential, commercial, industrial and E&P customers in 40 states in the U.S. and six provinces in Canada: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, Wisconsin and Wyoming, and the provinces of Alberta, British Columbia, Manitoba, Ontario, Québec and Saskatchewan.

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

Generally, the most profitable operators within the solid waste industry are those companies that are vertically integrated or enter into long-term collection contracts. A vertically integrated operator will benefit from: (1) the internalization of waste, which is bringing waste to a company-owned landfill; (2) the ability to charge third-party haulers tipping fees either at landfills or at transfer stations; and (3) the efficiencies gained by being able to aggregate and process waste at a transfer station prior to landfilling.

The E&P waste services industry is regional in nature and is also highly fragmented, with acquisition opportunities available in several active natural resource basins. Competition for E&P waste comes primarily from smaller regional companies that utilize a variety of disposal methods and generally serve specific geographic markets, and other solid waste companies. In addition, customers in many markets have the option of using internal disposal methods or outsourcing to another third-party disposal company. The principal competitive factors in this business include: gaining customer approval of treatment and disposal facilities; location of facilities in relation to customer activity; reputation; reliability of services; track record of environmental compliance; ability to accept multiple waste types at a single facility; and price. The demand for our E&P waste services depends on the continued demand for, and production of, oil and natural gas. Crude oil and natural gas prices historically have been volatile and the substantial reductions in crude oil prices that began in October 2014, and continued through early 2016, resulted in a decline in the level of drilling and production activity, reducing the demand for E&P waste services in the basins in which we operate. Upon the adoption in January 2017 of new accounting guidance regarding goodwill impairment, we performed an impairment test for our E&P segment which showed its carrying value exceeded its fair value by an amount in excess of the carrying amount of goodwill, or \$77.3 million. Therefore, during the nine months ended September 30, 2017, we recorded an impairment charge of \$77.3 million, consisting of the remaining carrying amount of goodwill at our E&P segment. The prices of crude oil and natural gas have recovered from their low point in February 2016 and the demand for our E&P waste services has improved as a result of increased production of oil and natural gas in the basins in which we operate. If this recovery of the prices of crude oil and natural gas is not sustained, or if a further reduction in crude oil and natural gas prices occurs, it could lead to continued declines in the level of production activity and demand for our E&P waste services, which could result in the recognition of additional impairment charges on our intangible assets and property and equipment associated with our E&P operations.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, or GAAP, requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in the condensed consolidated financial statements. As described by the SEC, critical accounting estimates and assumptions are those that may be material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change, and that have a material impact on the financial condition or operating performance of a company. Such critical accounting estimates and assumptions are applicable to our reportable segments. Refer to our most recent Annual Report on Form 10-K for a complete description of our critical accounting estimates and assumptions.

NEW ACCOUNTING PRONOUNCEMENTS

For a description of the new accounting standards that affect us, see Note 3 to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

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

	Three months ended September 30,				Nine months ended September 30,			
	2018		2017		2018		2017	
Revenues	\$ 1,281,110	100.0%	\$ 1,206,478	100.0%	\$ 3,661,209	100.0%	\$ 3,473,313	100.0%
Cost of operations	736,122	57.5	695,122	57.6	2,120,947	57.9	2,024,402	58.3
Selling, general and administrative	139,014	10.8	128,200	10.6	398,582	10.9	383,600	11.0
Depreciation	148,232	11.6	136,941	11.4	423,866	11.6	395,008	11.4
Amortization of intangibles	26,871	2.1	26,613	2.2	79,444	2.2	76,886	2.2
Impairments and other operating items	(1,998)	(0.2)	832	0.1	6,106	0.1	141,333	4.1
Operating income	232,869	18.2	218,770	18.1	632,264	17.3	452,084	13.0
Interest expense	(32,078)	(2.5)	(32,471)	(2.7)	(96,874)	(2.7)	(92,763)	(2.7)
Interest income	1,467	0.1	1,656	0.1	3,677	0.1	3,131	0.1
Other income, net	732	0.0	1,709	0.2	2,376	0.1	3,561	0.1
Foreign currency transaction loss	(132)	(0.0)	(1,864)	(0.1)	(323)	(0.0)	(3,502)	(0.1)
Income tax provision	(52,092)	(4.0)	(64,390)	(5.4)	(126,509)	(3.5)	(100,220)	(2.9)
Net income	150,766	11.8	123,410	10.2	414,611	11.3	262,291	7.5
Net loss (income) attributable to noncontrolling interests	77	0.0	(183)	(0.0)	(218)	(0.0)	(559)	(0.0)
Net income attributable to Waste Connections	<u>\$ 150,843</u>	<u>11.8%</u>	<u>\$ 123,227</u>	<u>10.2%</u>	<u>\$ 414,393</u>	<u>11.3%</u>	<u>\$ 261,732</u>	<u>7.5%</u>

Revenues. Total revenues increased \$74.6 million, or 6.2%, to \$1.281 billion for the three months ended September 30, 2018, from \$1.206 billion for the three months ended September 30, 2017. Total revenues increased \$187.9 million, or 5.4%, to \$3.661 billion for the nine months ended September 30, 2018, from \$3.473 billion for the nine months ended September 30, 2017.

During the three months ended September 30, 2018, incremental revenue from acquisitions closed during, or subsequent to, the three months ended September 30, 2017, increased revenues by approximately \$61.1 million. During the nine months ended September 30, 2018, incremental revenue from acquisitions closed during, or subsequent to, the nine months ended September 30, 2017, increased revenues by approximately \$155.1 million.

Operations that were divested in 2017 decreased revenues by approximately \$13.0 million and \$63.4 million, respectively, for the three and nine months ended September 30, 2018.

During the three months ended September 30, 2018, the net increase in prices charged to our customers at our existing operations was \$49.5 million, consisting of \$43.4 million of core price increases and \$6.1 million from surcharges due primarily to an increase in the market price of diesel fuel. During the nine months ended September 30, 2018, the net increase in prices charged to our customers at our existing operations was \$137.4 million, consisting of \$125.7 million of core price increases and \$11.7 million from surcharges due primarily to an increase in the market price of diesel fuel.

During the three months ended September 30, 2018, volume decreases in our existing business decreased solid waste revenues by \$1.4 million as the net impact of lower landfill special waste volumes primarily due to permit limitations at Chiquita Canyon Landfill and not renewing certain lower margin municipal contracts and commercial service agreements acquired with the Progressive Waste acquisition exceeded increased collection volumes and increased landfill municipal solid waste volumes in our Western segment.

During the nine months ended September 30, 2018, volume decreases in our existing business decreased solid waste revenues by \$28.2 million as the net impact of lower landfill special waste volumes at Chiquita Canyon Landfill, not renewing certain lower margin municipal contracts and commercial service agreements acquired with the Progressive Waste acquisition and declines in transfer station volumes in our New York City market due to reduced inbound waste from the New York Department of Sanitation exceeded increased collection volumes and increased landfill municipal solid waste volumes in our Western segment and increased roll off volumes in our Central segment.

E&P revenues at facilities owned and fully-operated during the three and nine months ended September 30, 2018 increased by \$10.1 million and \$41.9 million, respectively, due to higher crude oil and natural gas prices increasing drilling activity and E&P disposal volumes most notably in the Permian Basin and at a majority of our sites.

A decrease in the average Canadian dollar to U.S. dollar currency exchange rate resulted in a decrease in revenues of \$8.2 million for the three months ended September 30, 2018. The average Canadian dollar to U.S. dollar exchange rates were 0.7652 and 0.7986 in the three months ended September 30, 2018 and 2017, respectively. An increase in the average Canadian dollar to U.S. dollar currency exchange rate resulted in an increase in revenues of \$7.1 million for the nine months ended September 30, 2018. The average Canadian dollar to U.S. dollar exchange rates were 0.7769 and 0.7661 in the nine months ended September 30, 2018 and 2017, respectively.

Revenues from sales of recyclable commodities at facilities owned during the three and nine months ended September 30, 2018 and 2017 decreased \$19.5 million and \$58.0 million, respectively, due primarily to decreased prices for old corrugated cardboard and other fiber products resulting from a reduction in overseas demand.

Other revenues decreased by \$4.0 million during the three months ended September 30, 2018 due primarily to a decrease in intermodal revenues resulting from customer losses causing a reduction in cargo volume. Other revenues decreased by \$4.0 million during the nine months ended September 30, 2018 due primarily to the aforementioned decrease in intermodal revenues, partially offset by an increase in landfill gas sales at our Canada and Southern segments.

Cost of Operations. Total cost of operations increased \$41.0 million, or 5.9%, to \$736.1 million for the three months ended September 30, 2018, from \$695.1 million for the three months ended September 30, 2017. The increase was primarily the result of \$39.7 million of operating costs from acquisitions closed during, or subsequent to, the three months ended September 30, 2017 and an increase in operating costs at our existing operations of \$15.4 million, assuming foreign currency parity, partially offset by a decrease in operating costs of \$9.7 million at operations divested during, or subsequent to, the three months ended September 30, 2017 and a decrease of \$4.4 million resulting from a decrease in the average foreign currency exchange rate in effect during the comparable reporting periods.

The increase in operating costs at our existing operations of \$15.4 million for the three months ended September 30, 2018, assuming foreign currency parity, was comprised of an increase in taxes on revenues of \$6.5 million due primarily to higher tax rates under our new operating permit at Chiquita Canyon Landfill and increased revenues in our E&P and solid waste markets, an increase in labor expenses of \$4.0 million due primarily to employee pay rate increases, an increase in diesel fuel expense of \$3.4 million due to increases in the market price of diesel fuel, an increase in third-party trucking and transportation expenses of \$3.1 million due primarily to higher internalized disposal of collected waste volumes at our Eastern segment and increased rates charged by third parties to provide trucking and transportation services for all of our segments, increased leachate disposal expenses of \$1.9 million due to increased precipitation generating higher leachate volumes in our Eastern segment, an increase in subcontracted operating expenses of \$1.4 million due primarily to subcontracting certain operating activities at our E&P segment and \$1.8 million of other net expense increases, partially offset by a \$2.6 million decrease in third party disposal expenses due primarily to improved internalization of waste collected in certain markets acquired in the Progressive Waste acquisition and the 2017 acquisition of Groot Industries, Inc., or Groot, a decrease of \$2.3 million from nonrecurring prior year incremental labor and repair expenses resulting from hurricanes impacting our Texas, Louisiana and Florida operations in 2017 and a decrease in expenses associated with the purchase of recyclable commodities of \$1.8 million due to decreased recyclable commodity values.

Total cost of operations increased \$96.5 million, or 4.8%, to \$2.121 billion for the nine months ended September 30, 2018, from \$2.024 billion for the nine months ended September 30, 2017. The increase was primarily the result of \$96.2 million of operating costs from acquisitions closed during, or subsequent to, the nine months ended September 30, 2017, an increase in operating costs at our existing operations of \$40.4 million, assuming foreign currency parity, and an increase of \$4.0 million resulting from an increase in the average foreign currency exchange rate in effect during the comparable reporting periods, partially offset by a decrease in operating costs of \$44.1 million at operations divested during, or subsequent to, the nine months ended September 30, 2017.

The increase in operating costs at our existing operations of \$40.4 million for the nine months ended September 30, 2018, assuming foreign currency parity, was comprised of an increase in taxes on revenues of \$20.0 million due primarily to higher tax rates under our new operating permit at Chiquita Canyon Landfill and increased revenues in our E&P and solid waste markets, an increase in labor expenses of \$15.0 million due primarily to employee pay rate increases, an increase in diesel fuel expense of \$10.1 million due to increases in the market price of diesel fuel, an increase in third-party trucking and transportation expenses of \$7.6 million due primarily to higher internalized disposal of collected waste volumes at our Eastern segment and increased rates charged by third parties to provide trucking and transportation services for all of our segments, an increase in subcontracted operating expenses of \$5.1 million due primarily to subcontracting certain operating activities at our E&P segment and a landfill operating contract, increased leachate disposal expenses of \$4.7 million due to increased precipitation generating higher leachate volumes in our Eastern segment, an increase in employee benefits expenses of \$3.9 million due primarily to transferring retained Progressive Waste employees onto the Waste Connections benefits program, which provides increased benefits to the employees and \$1.4 million of other net expense increases, partially offset by a \$7.5 million decrease in third party disposal expenses due to improved internalization of waste collected in certain markets acquired in the Progressive Waste and Groot acquisitions, a decrease in expenses associated with the purchase of recyclable commodities of \$5.7 million due to decreased recyclable commodity values, a decrease in insurance premium expense of \$3.9 million due primarily to transferring the operating locations acquired in the acquisition of Groot onto our high deductible insurance program and changes to the insurance program at our Canada segment, the recognition during the nine months ended September 30, 2018 of \$3.3 million in retroactive tax credits associated with 2017 purchases of compressed natural gas fuel, a decrease in auto, workers' compensation and property claims expense under our high deductible insurance program of \$2.5 million due primarily to adjustments to projected losses on prior period claims, a decrease of \$2.3 million from nonrecurring prior year incremental labor and repair expenses resulting from hurricanes impacting our Texas, Louisiana and Florida operations in 2017 and a decrease in truck, container, equipment and facility maintenance and repair expenses of \$2.2 million due to higher prior year expenses incurred to bring acquired equipment to our operating and safety standards.

Cost of operations as a percentage of revenues decreased 0.1 percentage points to 57.5% for the three months ended September 30, 2018, from 57.6% for the three months ended September 30, 2017. The components of the decrease consisted of a 0.4 percentage point decrease from increased internalization of collected waste volumes, a 0.2 percentage point decrease from prior year labor and repair expenses associated with hurricanes, a 0.2 percentage point decrease from lower expenses associated with the purchase of recyclable commodities and a 0.1 percentage point decrease from all other net changes, partially offset by a 0.5 percentage point increase from higher taxes on revenues and a 0.3 percentage point increase from acquisitions closed during, or subsequent to, the three months ended September 30, 2017 having operating margins lower than our company average.

Cost of operations as a percentage of revenues decreased 0.4 percentage points to 57.9% for the nine months ended September 30, 2018, from 58.3% for the nine months ended September 30, 2017. The components of the decrease consisted of a 0.5 percentage point decrease from increased internalization of collected waste volumes, a 0.2 percentage point decrease from truck and equipment repair expenses and a 0.2 percentage point decrease from lower expenses associated with the purchase of recyclable commodities, partially offset by a 0.5 percentage point increase from higher taxes on revenues.

SG&A. SG&A expenses increased \$10.8 million, or 8.4%, to \$139.0 million for the three months ended September 30, 2018, from \$128.2 million for the three months ended September 30, 2017. The increase was comprised of an \$8.0 million increase in SG&A expenses at our existing operations, assuming foreign currency parity, and \$4.4 million of additional SG&A expenses from operating locations at acquisitions closed during, or subsequent to, the three months ended September 30, 2017, partially offset by a decrease of \$0.8 million consisting of SG&A expenses from operations divested during, or subsequent to, the three months ended September 30, 2017 and a decrease of \$0.8 million resulting from a decrease in the average foreign currency exchange rate in effect during the comparable reporting periods.

The increase in SG&A expenses at our existing operations of \$8.0 million for the three months ended September 30, 2018, assuming foreign currency parity, was comprised of an increase of \$5.4 million in professional fees expense resulting primarily from higher legal expenses, an increase of \$5.0 million in equity-based compensation expenses associated with adjusting common shares of Waste Connections, Inc. held in our deferred compensation plan by certain key executives to fair value as a result of the shares being exchanged for other investment options and an increase in equity-based compensation expenses of \$1.9 million associated with our annual recurring grant of restricted share units to our personnel, partially offset by a decrease of \$2.5 million in integration-related professional fees and severance-related expenses incurred in the prior year period for Progressive Waste personnel who were not permanently retained as employees of the Company following the close of the Progressive Waste acquisition, a decrease in direct acquisition costs of \$1.6 million and \$0.2 million of other net expense decreases.

SG&A expenses increased \$15.0 million, or 3.9%, to \$398.6 million for the nine months ended September 30, 2018, from \$383.6 million for the nine months ended September 30, 2017. The increase was comprised of \$11.0 million of additional SG&A expenses from operating locations at acquisitions closed during, or subsequent to, the nine months ended September 30, 2017, a \$7.8 million increase in SG&A expenses at our existing operations, assuming foreign currency parity and an increase of \$0.8 million resulting from an increase in the average foreign currency exchange rate in effect during the comparable reporting periods, partially offset by a decrease of \$4.6 million consisting of SG&A expenses from operations divested during, or subsequent to, the nine months ended September 30, 2017.

The increase in SG&A expenses at our existing operations of \$7.8 million for the nine months ended September 30, 2018, assuming foreign currency parity, was comprised of an increase of \$13.0 million in professional fees expense resulting primarily from higher legal expenses, an increase of \$5.0 million in equity-based compensation expenses associated with adjusting common shares of Waste Connections, Inc. held in our deferred compensation plan by certain key executives to fair value as a result of the shares being exchanged for other investment options and an increase in equity-based compensation expenses of \$4.8 million associated with our annual recurring grant of restricted share units to our personnel, partially offset by a decrease in share-based compensation expenses of \$7.8 million due primarily to less share price volatility and fewer outstanding shares in the current period for equity awards accounted for as liabilities that were granted to employees of Progressive Waste prior to June 1, 2016 which are subject to valuation adjustments each period based on changes in fair value, a decrease of \$5.5 million in integration-related professional fees and severance-related expenses incurred in the prior year period for Progressive Waste personnel who were not permanently retained as employees of the Company following the close of the Progressive Waste acquisition and a decrease in accrued recurring cash incentive compensation expense to our management of \$1.7 million due to decreased solid waste volumes and reduced revenue for recyclable commodities resulting in a lower achievement of interim financial targets during the nine months ended September 30, 2018.

SG&A expenses as a percentage of revenues increased 0.2 percentage points to 10.8% for the three months ended September 30, 2018, from 10.6% for the three months ended September 30, 2017. The increase as a percentage of revenues consists of a 0.4 percentage point increase from higher professional fees expenses and a 0.4 percentage point increase from equity-based compensation expenses associated with the exchange of shares held in our deferred compensation plan, partially offset by a 0.2 percentage point decrease from integration-related professional fees and severance-related expenses resulting from the acquisition of Progressive Waste, a 0.2 percentage point decrease from the net impact of leveraging SG&A expenses from operating locations at acquisitions closed during, or subsequent to, the three months ended September 30, 2017 and a 0.2 percentage point decrease from all other net changes.

SG&A expenses as a percentage of revenues decreased 0.1 percentage points to 10.9% for the nine months ended September 30, 2018, from 11.0% for the nine months ended September 30, 2017. The decrease as a percentage of revenues consists of a 0.3 percentage point decrease due to reduced share-based compensation expense from the continuation of awards granted to Progressive Waste employees prior to the completion of the Progressive Waste acquisition, a 0.2 percentage point decrease from integration-related professional fees and severance-related expenses resulting from the acquisition of Progressive Waste and a 0.1 percentage point decrease due to reduced accrued recurring cash incentive compensation expense to our management, partially offset by a 0.3 percentage point increase from higher professional fees expenses and a 0.2 percentage point increase from equity-based compensation expenses associated with the exchange of shares held in our deferred compensation plan.

Depreciation. Depreciation expense increased \$11.3 million, or 8.2%, to \$148.2 million for the three months ended September 30, 2018, from \$136.9 million for the three months ended September 30, 2017. The increase was primarily the result of additional depreciation and depletion expense of \$7.6 million from acquisitions closed during, or subsequent to, the three months ended September 30, 2017, an increase in depreciation expense of \$4.8 million, assuming foreign currency parity, associated with additions to our fleet and equipment purchased to support our existing operations and an increase in depletion expense of \$0.3 million, assuming foreign currency parity, due primarily to increased volumes at our E&P landfills, partially offset by a decrease of \$1.0 million resulting from a lower average foreign currency exchange rate in effect during the comparable reporting periods and a decrease of \$0.4 million resulting from the disposal of property and equipment associated with operations divested during, or subsequent to, the three months ended September 30, 2017.

Depreciation expense increased \$28.9 million, or 7.3%, to \$423.9 million for the nine months ended September 30, 2018, from \$395.0 million for the nine months ended September 30, 2017. The increase was primarily the result of additional depreciation and depletion expense of \$20.2 million from acquisitions closed during, or subsequent to, the nine months ended September 30, 2017, an increase in depreciation expense of \$11.8 million, assuming foreign currency parity, associated with additions to our fleet and equipment purchased to support our existing operations and an increase of \$0.8 million resulting from a higher average foreign currency exchange rate in effect during the comparable reporting periods, partially offset by a decrease of \$2.3 million resulting from the disposal of property and equipment associated with operations divested during, or subsequent to, the nine months ended September 30, 2017 and a decrease in depletion expense of \$1.6 million, assuming foreign currency parity, at our existing landfills due primarily to declines in special waste volumes.

Depreciation expense as a percentage of revenues increased 0.2 percentage points to 11.6% for the three and nine months ended September 30, 2018, from 11.4% for the three and nine months ended September 30, 2017. The increases as a percentage of revenues were due primarily to the impact of depreciation expense associated with acquisitions and additions to our fleet and equipment purchased to support our existing operations.

Amortization of Intangibles. Amortization of intangibles expense increased \$0.3 million, or 1.0% to \$26.9 million for the three months ended September 30, 2018, from \$26.6 million for the three months ended September 30, 2017. The increase was the result of \$1.9 million from intangible assets acquired in acquisitions closed during, or subsequent to, the three months ended September 30, 2017, partially offset by a decrease of \$1.3 million from certain intangible assets becoming fully amortized subsequent to September 30, 2017 and a decrease of \$0.3 million resulting from a lower average foreign currency exchange rate in effect during the comparable reporting periods.

Amortization of intangibles expense increased \$2.5 million, or 3.3% to \$79.4 million for the nine months ended September 30, 2018, from \$76.9 million for the nine months ended September 30, 2017. The increase was the result of \$6.3 million from intangible assets acquired in acquisitions closed during, or subsequent to, the nine months ended September 30, 2017 and an increase of \$0.3 million resulting from a higher average foreign currency exchange rate in effect during the comparable reporting periods, partially offset by a decrease of \$3.7 million from certain intangible assets becoming fully amortized subsequent to September 30, 2017 and a decrease of \$0.4 million resulting from the disposal of intangible assets with operations divested during, or subsequent to, the nine months ended September 30, 2017.

Amortization expense as a percentage of revenues was 2.1% and 2.2% for the three months ended September 30, 2018 and 2017, respectively, and 2.2% for the nine months ended September 30, 2018 and 2017.

Impairments and Other Operating Items. Impairments and other operating items decreased \$2.8 million, to net gains totaling \$2.0 million for the three months ended September 30, 2018, from net losses totaling \$0.8 million for the three months ended September 30, 2017.

The net gains of \$2.0 million recorded during the three months ended September 30, 2018 consisted of the reversal of \$6.3 million of expenses recognized in prior periods to adjust the carrying cost of assets held for disposal to fair market value due to modifications to our divestiture plan and changes in the fair market value of the divested operations, partially offset by \$2.0 million of losses on trucks and equipment that were scrapped, disposed of through sales or disposed of as a result of being damaged in operations, \$0.7 million of charges to write off the carrying cost of certain contracts that were not renewed prior to their original estimated termination date and \$1.6 million of other net charges.

The net losses of \$0.8 million recorded during the three months ended September 30, 2017 consisted of \$6.7 million of charges recorded to increase the carrying value of certain amounts payable under liability-classified contingent consideration arrangements associated with acquisitions closed prior to 2017, \$1.4 million of losses on trucks and equipment that were disposed of through sales or as a result of being damaged in operations, \$0.6 million of charges to write off the carrying cost of certain contracts that were not renewed prior to their original estimated termination date and \$0.7 million of other net charges, partially offset by the reversal of \$6.4 million of expenses recognized in prior periods to adjust the carrying cost of assets held for disposal to fair market value due to modifications to our divestiture plan and changes in the fair market value of the divested operations and net gains of \$2.2 million from the divestiture of operations not classified as held for disposal in prior periods.

Impairments and other operating items decreased \$135.2 million, to net losses totaling \$6.1 million for the nine months ended September 30, 2018, from net losses totaling \$141.3 million for the nine months ended September 30, 2017.

The net losses of \$6.1 million recorded during the nine months ended September 30, 2018 consisted of \$2.1 million of charges to write off the carrying cost of certain contracts that were not expected to be renewed prior to their original estimated termination date, \$7.7 million of losses on trucks and equipment that were scrapped, disposed of through sales or disposed of as a result of being damaged in operations and \$2.6 million of other net charges, partially offset by the reversal of \$6.3 million of expenses recognized in prior periods to adjust the carrying cost of assets held for disposal to fair market value due to modifications to our divestiture plan and changes in the fair market value of the divested operations.

The net losses of \$141.3 million recorded during the nine months ended September 30, 2017 consisted of a goodwill impairment charge of \$77.3 million at our E&P segment resulting from our early adoption of a new accounting standard on January 1, 2017 which required the recognition of goodwill impairment by the amount which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill, a \$35.7 million expense charge to adjust the carrying cost of assets held for disposal to fair market value, a \$9.6 million expense charge to increase the fair value of an amount payable under a liability-classified contingent consideration arrangement from an acquisition closed in 2015 by Progressive Waste, \$8.4 million of charges recorded to increase the carrying value of certain amounts payable under liability-classified contingent consideration arrangements associated with other acquisitions closed prior to 2016, \$8.1 million of charges to write off the carrying cost of certain contracts, primarily acquired from the Progressive Waste acquisition, that were not renewed prior to their original estimated termination date, \$3.7 million of losses on property and equipment that were disposed of through sales or as a result of being damaged in operations and \$0.7 million of other net charges, partially offset by net gains of \$2.2 million from the divestiture of operations not classified as held for disposal in prior periods.

Operating Income. Operating income increased \$14.1 million, or 6.4%, to \$232.9 million for the three months ended September 30, 2018, from \$218.8 million for the three months ended September 30, 2017. The increase was primarily attributable to operating income generated from acquisitions and gross margins recognized on E&P volume growth.

Operating income increased \$180.2 million, or 39.9%, to \$632.3 million for the nine months ended September 30, 2018, from \$452.1 million for the nine months ended September 30, 2017. The increase was primarily attributable to operating income generated from acquisitions, gross margins recognized on E&P volume growth and a decrease in impairments and other operating charges.

Operating income as a percentage of revenues increased 0.1 percentage points to 18.2% for the three months ended September 30, 2018, from 18.1% for the three months ended September 30, 2017. The increase as a percentage of revenues was comprised of a 0.3 percentage point decrease in impairments and other operating items, a 0.1 percentage point decrease in cost of operations and a 0.1 percentage point decrease in amortization expense, partially offset by a 0.2 percentage point increase in depreciation expense and a 0.2 percentage point increase in SG&A expense.

Operating income as a percentage of revenues increased 4.3 percentage points to 17.3% for the nine months ended September 30, 2018, from 13.0% for the nine months ended September 30, 2017. The increase as a percentage of revenues was comprised of a 4.0 percentage point decrease in impairments and other operating items, a 0.4 percentage point decrease in cost of operations and a 0.1 percentage point decrease in SG&A expense, partially offset by a 0.2 percentage point increase in depreciation expense.

Interest Expense. Interest expense decreased \$0.4 million, or 1.2%, to \$32.1 million for the three months ended September 30, 2018, from \$32.5 million for the three months ended September 30, 2017. The decrease was primarily attributable to a decrease of \$0.5 million from the redemption of our 2018 Senior Notes using proceeds from our Credit Agreement, a decrease of \$0.3 million due to a decrease in the average borrowings outstanding under our Credit Agreement and \$0.7 million of other net decreases, partially offset by an increase of \$1.1 million due to higher interest rates on outstanding borrowings under our Credit Agreement.

Interest expense increased \$4.1 million, or 4.4%, to \$96.9 million for the nine months ended September 30, 2018, from \$92.8 million for the nine months ended September 30, 2017. The increase was primarily attributable to an increase of \$5.1 million due to higher interest rates on outstanding borrowings under our Credit Agreement and an increase of \$4.2 million from the April 2017 issuance of our 2017A Senior Notes, partially offset by a decrease of \$3.3 million due to a decrease in the average borrowings outstanding under our Credit Agreement, a decrease of \$1.0 million from the redemption of our 2018 Senior Notes using proceeds from our Credit Agreement and \$0.9 million of other net decreases.

Interest Income. Interest income decreased \$0.2 million, to \$1.5 million for the three months ended September 30, 2018, from \$1.7 million for the three months ended September 30, 2017. The decrease was primarily attributable to lower average cash balances, partially offset by higher reinvestment rates in the current period.

Interest income increased \$0.6 million, to \$3.7 million for the nine months ended September 30, 2018, from \$3.1 million for the nine months ended September 30, 2017. The increase was primarily attributable to higher reinvestment rates in the current period, partially offset by lower average cash balances.

Other Income. Other income decreased \$1.0 million, to \$0.7 million for the three months ended September 30, 2018, from \$1.7 million for the three months ended September 30, 2017. Other income decreased \$1.2 million, to \$2.4 million for the nine months ended September 30, 2018, from \$3.6 million for the nine months ended September 30, 2017. The decreases were due primarily to the prior year income including a \$1.2 million receipt of insurance proceeds in excess of the carrying value of certain property and equipment damaged in a fire-related accident.

Foreign currency transaction gain (loss). Foreign currency transaction gain (loss) decreased \$1.8 million to a loss of \$0.1 million for the three months ended September 30, 2018, from a loss of \$1.9 million for the three months ended September 30, 2017. Foreign currency transaction gain (loss) decreased \$3.2 million to a loss of \$0.3 million for the nine months ended September 30, 2018, from a loss of \$3.5 million for the nine months ended September 30, 2017. The decreases were attributable to changes in the average foreign currency exchange rate in effect during the comparable reporting periods impacting the reported value of certain debt denominated in Canadian dollars.

Income Tax Provision. Income tax provision decreased \$12.3 million, to \$52.1 million for the three months ended September 30, 2018, from \$64.4 million for the three months ended September 30, 2017. Our effective tax rate for the three months ended September 30, 2018 was 25.7%. Our effective tax rate for the three months ended September 30, 2017 was 34.3%. Income tax provision increased \$26.3 million, to \$126.5 million for the nine months ended September 30, 2018, from \$100.2 million for the nine months ended September 30, 2017. Our effective tax rate for the nine months ended September 30, 2018 was 23.4%. Our effective tax rate for the nine months ended September 30, 2017 was 27.6%.

The income tax provision for the three and nine months ended September 30, 2018 included a \$6.6 million expense primarily associated with refinements to the estimates, as provided by Staff Accounting Bulletin No. 118, of the impact of a portion of the Company's U.S. earnings no longer deemed to be permanently reinvested in conjunction with the Tax Act. The income tax provision for the nine months ended September 30, 2018 included a \$5.6 million expense associated with the restructuring of our internal refinancing in conjunction with the Tax Act, as well as a \$3.1 million benefit related to a reduction in our deferred income tax liabilities resulting from state legislation enacted in the current year and changes in our geographical apportionment due to acquisition activity. Additionally, the income tax provision for the three and nine months ended September 30, 2018 included a benefit of \$0.1 million and \$4.9 million, respectively, from share-based payment awards being recognized in the income statement when settled and a portion of our internal financing is taxed at effective rates substantially lower than the U.S. federal statutory rate.

The income tax provision for the three and nine months ended September 30, 2017 included \$0.1 million and \$6.8 million, respectively, from adopting a new accounting standard in January 2017 which requires all income tax effects of share-based payment awards to be recognized in the income statement when the awards are settled, whereas previously the tax benefits in excess of compensation cost were recorded in equity, and a portion of our income from internal financing being untaxed or taxed at rates substantially lower than the U.S. federal statutory rate. The impairment of goodwill within our E&P segment during the nine months ended September 30, 2017 resulted in the write off of \$6.3 million of goodwill that was not deductible for tax purposes, increasing our tax expense by \$2.4 million.

The income tax provision for the three and nine months ended September 30, 2017 includes a portion of our income from internal financing being untaxed or taxed at rates substantially lower than the U.S. federal statutory rate. During the three and nine months ended September 30, 2017, income tax expense was increased by \$3.8 million primarily as a result of an increase in the state income tax rate in Illinois. The impairment of goodwill within our E&P segment and disposal of goodwill resulting from the divestitures of certain operations resulted in the write off of goodwill that was not deductible for tax purposes totaling \$21.3 million and \$30.0 million during the three and nine months ended September 30, 2017, respectively, increasing our tax expense by \$8.2 million and \$11.5 million during the three and nine months ended September 30, 2017, respectively. The income tax provision for the nine months ended September 30, 2017 included \$6.8 million from adopting a new accounting standard in January 2017 which requires all income tax effects of share-based payment awards to be recognized in the income statement when the awards are settled, whereas previously the tax benefits in excess of compensation cost were recorded in equity.

SEGMENT RESULTS

General

No single contract or customer accounted for more than 10% of our total revenues at the consolidated or reportable segment level during the periods presented. The following table disaggregates our revenue by service line for the periods indicated (dollars in thousands of U.S. dollars).

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Commercial	\$ 369,543	\$ 342,961	\$ 1,080,261	\$ 1,005,110
Residential	300,026	286,068	881,927	845,493
Industrial and construction roll off	202,130	186,315	573,877	530,219
Total collection	871,699	815,344	2,536,065	2,380,822
Landfill	285,945	261,706	790,056	744,352
Transfer	187,961	155,058	495,317	445,612
Recycling	23,371	43,864	69,559	131,445
E&P	68,049	57,797	189,071	147,662
Intermodal and other	34,261	38,221	105,588	107,418
Intercompany	(190,176)	(165,512)	(524,447)	(483,998)
Total	<u>\$ 1,281,110</u>	<u>\$ 1,206,478</u>	<u>\$ 3,661,209</u>	<u>\$ 3,473,313</u>

Our 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. We define segment EBITDA as earnings before interest, taxes, depreciation, amortization, impairments and other operating items, other income (expense) and foreign currency transaction gain (loss). Segment EBITDA is not a measure of operating income, operating performance or liquidity under GAAP and may not be comparable to similarly titled measures reported by other companies. Our management uses segment EBITDA in the evaluation of segment operating performance as it is a profit measure that is generally within the control of the operating segments.

We manage our operations through five geographic operating segments and our E&P segment, which includes the majority of our E&P waste treatment and disposal operations. Our five geographic operating segments and our E&P segment comprise our reportable segments. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts.

At September 30, 2018, our Southern segment services customers located in Alabama, Arkansas, Florida, Louisiana, Mississippi, southern Oklahoma, western Tennessee and Texas; our Western segment services customers located in Alaska, California, Idaho, Montana, Nevada, Oregon, Washington and western Wyoming; our Eastern segment services customers located in Illinois, Iowa, Kentucky, Maryland, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, eastern Tennessee, Vermont, Virginia and Wisconsin; our Canada segment services customers located in the state of Michigan and in the provinces of Alberta, British Columbia, Manitoba, Ontario, Québec and Saskatchewan; and our Central segment services customers located in Arizona, Colorado, Kansas, Minnesota, Missouri, Nebraska, New Mexico, Oklahoma, South Dakota, western Texas, Utah and eastern Wyoming. The E&P segment services E&P customers located in Arkansas, Louisiana, New Mexico, North Dakota, Oklahoma, Texas, Wyoming and along the Gulf of Mexico.

Revenues, net of intercompany eliminations, for our reportable segments are shown in the following table in thousands of U.S. dollars and as a percentage of total revenues for the periods indicated:

	Three months ended September 30,				Nine months ended September 30,			
	2018		2017		2018		2017	
Southern	\$ 283,040	22.1%	\$ 280,528	23.3%	\$ 839,489	22.9%	\$ 846,034	24.4%
Western	271,018	21.1	261,877	21.7	779,880	21.3	754,959	21.7
Eastern	289,497	22.6	246,267	20.4	802,318	21.9	718,302	20.7
Canada	187,054	14.6	197,055	16.3	543,867	14.9	546,149	15.7
Central	185,271	14.5	166,360	13.8	514,080	14.0	470,087	13.5
E&P	65,230	5.1	54,391	4.5	181,575	5.0	137,782	4.0
	<u>\$ 1,281,110</u>	<u>100.0%</u>	<u>\$ 1,206,478</u>	<u>100.0%</u>	<u>\$ 3,661,209</u>	<u>100.0%</u>	<u>\$ 3,473,313</u>	<u>100.0%</u>

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

	Three months ended September 30,				Nine months ended September 30,			
	2018		2017		2018		2017	
Southern	\$ 70,159	24.8%	\$ 63,171	22.5%	\$ 207,853	24.8%	\$ 199,280	23.6%
Western	86,174	31.8%	84,861	32.4%	240,006	30.8%	247,475	32.8%
Eastern	83,721	28.9%	74,018	30.1%	225,950	28.2%	209,315	29.1%
Canada	68,819	36.8%	74,369	37.7%	195,390	35.9%	200,283	36.7%
Central	70,288	37.9%	64,607	38.8%	191,840	37.3%	177,975	37.9%
E&P	35,099	53.8%	27,881	51.3%	95,009	52.3%	63,518	46.1%
Corporate ^(a)	(8,286)	-	(5,751)	-	(14,368)	-	(32,535)	-
	<u>\$ 405,974</u>	<u>31.7%</u>	<u>\$ 383,156</u>	<u>31.8%</u>	<u>\$ 1,141,680</u>	<u>31.2%</u>	<u>\$ 1,065,311</u>	<u>30.7%</u>

(a) Corporate functions include accounting, legal, tax, treasury, information technology, risk management, human resources, training and other administrative functions. Amounts reflected are net of allocations to the six operating segments.

A reconciliation of segment EBITDA to Income before income tax provision is included in Note 11 to our Condensed Consolidated Financial Statements included in Part 1, Item 1 of this report.

Significant changes in revenue and segment EBITDA for our reportable segments for the three and nine month periods ended September 30, 2018, compared to the three and nine month periods ended September 30, 2017, are discussed below:

Segment Revenue

Revenue in our Southern segment increased \$2.5 million, or 0.9%, to \$283.0 million for the three months ended September 30, 2018, from \$280.5 million for the three months ended September 30, 2017. The components of the increase consisted of net price increases of \$13.6 million, net revenue growth from acquisitions closed during, or subsequent to, the three months ended September 30, 2017, of \$3.7 million and other revenue increases of \$0.8 million, partially offset by net revenue reductions from divestitures closed in 2017 and 2018 of \$8.9 million, decreased recyclable commodity sales of \$3.4 million resulting from the impact of declines in prices for old corrugated cardboard and other fiber products and solid waste volume decreases of \$3.3 million primarily from the net impact of declines in residential customers resulting from certain contracts acquired with the Progressive Waste acquisition that were terminated subsequent to September 30, 2017 exceeding increases in transfer station volumes.

Revenue in our Southern segment decreased \$6.5 million, or 0.8%, to \$839.5 million for the nine months ended September 30, 2018, from \$846.0 million for the nine months ended September 30, 2017. The components of the decrease consisted of net revenue reductions from divestitures closed in 2017 and 2018 of \$38.3 million, decreased recyclable commodity sales of \$10.1 million resulting from the impact of declines in prices for old corrugated cardboard and other fiber products and solid waste volume decreases of \$7.4 million primarily from the net impact of declines in residential customers resulting from certain contracts acquired with the Progressive Waste acquisition that were terminated subsequent to September 30, 2017 and declines in commercial volumes due to intentional losses of certain low margin customers exceeding increases in transfer station volumes, partially offset by net price increases of \$37.4 million, net revenue growth from acquisitions closed during, or subsequent to, the nine months ended September 30, 2017, of \$9.5 million and other revenue increases of \$2.4 million.

Revenue in our Western segment increased \$9.1 million, or 3.5%, to \$271.0 million for the three months ended September 30, 2018, from \$261.9 million for the three months ended September 30, 2017. The components of the increase consisted of net price increases of \$7.8 million, solid waste volume increases of \$6.0 million due to the net impact of increases associated with landfill municipal solid waste, residential collection, commercial collection and roll off collection exceeding declines in landfill special waste volumes and net revenue growth from acquisitions closed during, or subsequent to, the three months ended September 30, 2017, of \$3.2 million, partially offset by decreased intermodal revenue of \$4.2 million resulting from customer losses causing a reduction in cargo volume, decreased recyclable commodity sales of \$3.6 million resulting from the impact of declines in prices for old corrugated cardboard and other fiber products and other revenue decreases of \$0.1 million.

Revenue in our Western segment increased \$24.9 million, or 3.3%, to \$779.9 million for the nine months ended September 30, 2018, from \$755.0 million for the nine months ended September 30, 2017. The components of the increase consisted of net price increases of \$23.4 million, solid waste volume increases of \$9.3 million due to the net impact of increases associated with landfill municipal solid waste, residential collection, commercial collection and roll off collection exceeding declines in landfill special waste volumes and net revenue growth from acquisitions closed during, or subsequent to, the nine months ended September 30, 2017, of \$11.1 million, partially offset by decreased recyclable commodity sales of \$10.7 million resulting from the impact of declines in prices for old corrugated cardboard and other fiber products, decreased intermodal revenue of \$7.9 million resulting from customer losses causing a reduction in cargo volume and other revenue decreases of \$0.3 million.

Revenue in our Eastern segment increased \$43.2 million, or 17.6%, to \$289.5 million for the three months ended September 30, 2018, from \$246.3 million for the three months ended September 30, 2017. The components of the increase consisted of net revenue growth from acquisitions closed during, or subsequent to, the three months ended September 30, 2017, of \$39.9 million and net price increases of \$11.6 million, partially offset by net revenue reductions from divestitures closed in 2017 of \$4.1 million, decreased recyclable commodity sales of \$4.0 million resulting from the impact of declines in prices for old corrugated cardboard and other fiber products and other net revenue decreases of \$0.2 million.

Revenue in our Eastern segment increased \$84.0 million, or 11.7%, to \$802.3 million for the nine months ended September 30, 2018, from \$718.3 million for the nine months ended September 30, 2017. The components of the increase consisted of net revenue growth from acquisitions closed during, or subsequent to, the nine months ended September 30, 2017, of \$103.3 million and net price increases of \$31.1 million, partially offset by net revenue reductions from divestitures closed in 2017 of \$22.0 million, solid waste volume decreases of \$15.1 million due primarily to decreased residential collection, declines in transfer station volumes in our New York City market due to reduced inbound waste from the New York Department of Sanitation and lower landfill special waste volumes, decreased recyclable commodity sales of \$13.0 million resulting from the impact of declines in prices for old corrugated cardboard and other fiber products and other net revenue decreases of \$0.3 million.

Revenue in our Canada segment decreased \$10.0 million, or 5.1%, to \$187.1 million for the three months ended September 30, 2018, from \$197.1 million for the three months ended September 30, 2017. The components of the decrease consisted of a decrease of \$8.2 million resulting from a lower average foreign currency exchange rate in effect during the comparable reporting periods, solid waste volume decreases of \$5.1 million associated with decreased roll off collection volumes, residential revenue resulting from the non-renewal of certain contracts acquired in the Progressive Waste acquisition, intentional losses of certain low margin commercial collection customers and reduced transfer station and landfill municipal solid waste revenue, decreased recyclable commodity sales of \$6.9 million resulting from the impact of declines in prices for old corrugated cardboard and other fiber products and \$0.5 million of other revenue decreases, partially offset by net price increases of \$10.0 million and revenue growth from acquisitions closed in 2018 of \$0.7 million.

Revenue in our Canada segment decreased \$2.2 million, or 0.4%, to \$543.9 million for the nine months ended September 30, 2018, from \$546.1 million for the nine months ended September 30, 2017. The components of the decrease consisted of decreased recyclable commodity sales of \$20.1 million resulting from the impact of declines in prices for old corrugated cardboard and other fiber products, solid waste volume decreases of \$18.8 million associated with decreased roll off collection volumes, residential revenue resulting from the non-renewal of certain contracts acquired in the Progressive Waste acquisition, intentional losses of certain low margin commercial collection customers and reduced landfill municipal solid waste revenue and \$0.6 million of other revenue decreases, partially offset by net price increases of \$26.9 million, an increase of \$7.1 million resulting from a higher average foreign currency exchange rate in effect during the comparable reporting periods, increased landfill gas sales of \$2.4 million resulting from higher pricing and revenue growth from acquisitions closed in 2018 of \$0.9 million.

Revenue in our Central segment increased \$18.9 million, or 11.4%, to \$185.3 million for the three months ended September 30, 2018, from \$166.4 million for the three months ended September 30, 2017. The components of the increase consisted of revenue growth from acquisitions closed during, or subsequent to, the three months ended September 30, 2017, of \$13.6 million, net price increases of \$6.5 million and solid waste volume increases of \$1.1 million from increased roll off collection, partially offset by decreased recyclable commodity sales of \$1.7 million resulting from the impact of declines in prices for old corrugated cardboard and other fiber products and other revenue decreases of \$0.6 million.

Revenue in our Central segment increased \$44.0 million, or 9.4%, to \$514.1 million for the nine months ended September 30, 2018, from \$470.1 million for the nine months ended September 30, 2017. The components of the increase consisted of revenue growth from acquisitions closed during, or subsequent to, the nine months ended September 30, 2017, of \$30.4 million, net price increases of \$18.5 million and solid waste volume increases of \$3.9 million from increased roll off collection and landfill special waste, partially offset by net revenue reductions from divestitures closed during, or subsequent to, the nine months ended September 30, 2017, of \$3.1 million, decreased recyclable commodity sales of \$4.1 million resulting from the impact of declines in prices for old corrugated cardboard and other fiber products and other revenue decreases of \$1.6 million.

Revenue in our E&P segment increased \$10.8 million, or 19.9%, to \$65.2 million for the three months ended September 30, 2018, from \$54.4 million for the three months ended September 30, 2017 due to higher crude oil and natural gas prices increasing drilling activity and E&P disposal volumes at the majority of our sites.

Revenue in our E&P segment increased \$43.8 million, or 31.8%, to \$181.6 million for the nine months ended September 30, 2018, from \$137.8 million for the nine months ended September 30, 2017 due to higher crude oil and natural gas prices increasing drilling activity and E&P disposal volumes at the majority of our sites.

Segment EBITDA

Segment EBITDA in our Southern segment increased \$7.0 million, or 11.1%, to \$70.2 million for the three months ended September 30, 2018, from \$63.2 million for the three months ended September 30, 2017. The increase was due to an increase in revenues of \$11.4 million from organic growth and acquisitions and a \$2.6 million decrease in third party disposal expenses due to decreases in collection volumes requiring disposal at a third party location, partially offset by an increase in third-party trucking and transportation expenses of \$2.3 million due to increased disposal volumes at our transfer station and landfill operations and increased rates charged by third parties to provide trucking and transportation services, a net \$2.0 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in labor expenses of \$1.5 million due primarily to employee pay rate increases and a decrease to EBITDA of \$1.2 million from the impact of operations disposed of during, or subsequent to, the three months ended September 30, 2017.

Segment EBITDA in our Southern segment increased \$8.6 million, or 4.3%, to \$207.9 million for the nine months ended September 30, 2018, from \$199.3 million for the nine months ended September 30, 2017. The increase was due to an increase in revenues of \$31.8 million from organic growth and acquisitions, a decrease in third party disposal expenses of \$4.3 million due to decreases in collection volumes requiring disposal at a third party location and improved internalization of waste collected at operating locations acquired in the Progressive Waste acquisition, a decrease in compressed natural gas fuel expense of \$1.5 million due to the recognition during the nine months ended September 30, 2018 of retroactive tax credits associated with fuel purchases in 2017, a decrease in expenses associated with the purchase of recyclable commodities of \$1.0 million due to decreased recyclable commodity values, a decrease in insurance claims and premiums expense of \$0.9 million due to improved safety results at operating locations acquired in the Progressive Waste acquisition, a decrease in truck, container, equipment and facility maintenance and repair expenses of \$0.7 million due to higher prior year expenses incurred to bring acquired equipment to our operating and safety standards and \$0.9 million of other net decreases, partially offset by a decrease to EBITDA of \$10.1 million from the impact of operations disposed of during, or subsequent to, the nine months ended September 30, 2017, a net \$6.2 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in third-party trucking and transportation expenses of \$5.3 million due to increased disposal volumes at our transfer station and landfill operations and increased rates charged by third parties to provide trucking and transportation services, an increase in labor expenses of \$3.3 million due primarily to employee pay rate increases, an increase in taxes on revenues of \$2.2 million due primarily to an adjustment recorded in the current period for taxes incurred in the prior year, an increase in employee benefits expenses of \$2.1 million due to transferring retained Progressive Waste employees onto the Waste Connections benefits program, which provides increased benefits to the employees, an increase in subcontracted expenses of \$1.5 million due to contracting certain low margin services to third parties, an increase in corporate overhead expense allocations of \$1.0 million due to a higher overhead allocation rate and an increase in diesel fuel expense of \$0.8 million due to increases in the market price of diesel fuel.

Segment EBITDA in our Western segment increased \$1.3 million, or 1.5%, to \$86.2 million for the three months ended September 30, 2018, from \$84.9 million for the three months ended September 30, 2017. The increase was due primarily to an increase in revenues of \$9.1 million and a decrease in third party trucking and transportation expenses of \$2.7 million due to the mix of landfill special waste volumes requiring transportation to our disposal sites, partially offset by an increase in taxes on revenues of \$5.5 million due primarily to higher tax rates under our new operating permit at Chiquita Canyon Landfill, a net \$2.3 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in corporate overhead expense allocations of \$1.3 million due to higher revenues for which overhead allocations are based and a higher overhead allocation rate, an increase in diesel fuel expense of \$1.0 million due to increases in the market price of diesel fuel and \$0.4 million of other net expense increases.

Segment EBITDA in our Western segment decreased \$7.5 million, or 3.0%, to \$240.0 million for the nine months ended September 30, 2018, from \$247.5 million for the nine months ended September 30, 2017. The decrease was due primarily to an increase in taxes on revenues of \$15.8 million due primarily to higher tax rates under our new operating permit at Chiquita Canyon Landfill, a net \$8.3 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in corporate overhead expense allocations of \$5.3 million due to higher revenues for which overhead allocations are based and a higher overhead allocation rate, an increase in diesel fuel expense of \$3.1 million due to increases in the market price of diesel fuel, an increase in direct and administrative labor expenses of \$2.5 million due primarily to employee pay rate increases, an increase of \$1.9 million in professional fees expense resulting primarily from higher legal expenses, an increase in disposal expenses of \$1.7 million due primarily to increased collection volumes and \$0.6 million of other net expense increases, partially offset by an increase in revenues of \$24.9 million, a decrease in third party trucking and transportation expenses of \$6.4 million due to the mix of landfill special waste volumes requiring transportation to our disposal sites and a decrease in compressed natural gas fuel expense of \$0.4 million due to the recognition during the nine months ended September 30, 2018 of retroactive tax credits associated with fuel purchases in 2017.

Segment EBITDA in our Eastern segment increased \$9.7 million, or 13.1%, to \$83.7 million for the three months ended September 30, 2018, from \$74.0 million for the three months ended September 30, 2017. The increase was due primarily to an increase in revenues of \$47.3 million from organic growth and acquisitions and a \$1.1 million decrease in third party disposal expenses due to improved internalization of waste collected at operating locations acquired in 2017, partially offset by a net \$28.2 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in third party trucking and transportation expenses of \$3.1 million due primarily to higher internalized disposal of collected waste volumes and increased rates charged by third parties to provide trucking and transportation services, an increase in corporate overhead expense allocations of \$1.8 million due to higher revenues for which overhead allocations are based and a higher overhead allocation rate, increased leachate disposal expenses of \$1.6 million due to increased precipitation generating higher leachate volumes, a decrease to EBITDA of \$1.4 million from the impact of operations disposed of during, or subsequent to, the three months ended September 30, 2017, an increase in property tax expenses of \$1.4 million due primarily to a credit recognized in the prior year period, an increase in diesel fuel expense of \$1.0 million due to increases in the market price of diesel fuel and \$0.2 million of other net expense increases.

Segment EBITDA in our Eastern segment increased \$16.6 million, or 7.9%, to \$225.9 million for the nine months ended September 30, 2018, from \$209.3 million for the nine months ended September 30, 2017. The increase was due primarily to an increase in revenues of \$106.0 million from organic growth and acquisitions, a \$4.3 million decrease in third party disposal expenses due to improved internalization of waste collected at operating locations acquired in 2017, a decrease in insurance premium expense of \$2.5 million due primarily to transferring the operating locations acquired in the Groot acquisition onto our high deductible insurance program, a decrease in truck, container, equipment and facility maintenance and repair expenses of \$3.0 million due to higher prior year expenses incurred to bring acquired equipment to our operating and safety standards and a decrease in compressed natural gas fuel expense of \$0.8 million due to the recognition during the nine months ended September 30, 2018 of retroactive tax credits associated with fuel purchases in 2017, partially offset by a net \$68.1 million increase in cost of operations and SG&A expenses attributable to acquired operations, a decrease to EBITDA of \$6.6 million from the impact of operations disposed of during, or subsequent to, the nine months ended September 30, 2017, an increase in corporate overhead expense allocations of \$5.9 million due to higher revenues for which overhead allocations are based and a higher overhead allocation rate, an increase in third-party trucking and transportation expenses of \$4.5 million due primarily to higher internalized disposal of collected waste volumes and increased rates charged by third parties to provide trucking and transportation services, increased leachate disposal expenses of \$4.2 million due to increased precipitation generating higher leachate volumes, an increase in diesel fuel expense of \$2.9 million due to increases in the market price of diesel fuel, an increase in direct labor expenses of \$2.8 million due primarily to employee pay rate increases, an increase in taxes on revenues of \$1.4 million due primarily to internalizing additional disposal volumes at our landfills that are assessed taxes based on total inbound tonnage, an increase in property tax expenses of \$1.2 million due primarily to a credit recognized in the prior year period and \$2.4 million of other net expense increases.

Segment EBITDA in our Canada segment decreased \$5.6 million, or 7.5%, to \$68.8 million for the three months ended September 30, 2018, from \$74.4 million for the three months ended September 30, 2017. The decrease was comprised of a \$3.1 million decrease from a lower average foreign currency exchange rate in effect during the comparable reporting periods and a \$2.5 million decrease assuming foreign currency parity during the comparable reporting periods. The \$2.5 million decrease, which assumes foreign currency parity, was due primarily to a decrease in revenues of \$1.8 million, an increase in diesel fuel expense of \$1.2 million due to increases in the market price of diesel fuel and \$1.6 million of other net expense increases, partially offset by a decrease in expenses associated with the purchase of recyclable commodities of \$2.1 million due to decreased recyclable commodity values.

Segment EBITDA in our Canada segment decreased \$4.9 million, or 2.4%, to \$195.4 million for the nine months ended September 30, 2018, from \$200.3 million for the nine months ended September 30, 2017. The decrease was comprised of a decrease of \$7.2 million assuming foreign currency parity during the comparable reporting periods, partially offset by a \$2.3 million increase from a higher average foreign currency exchange rate in effect during the comparable reporting periods. The \$7.2 million decrease, which assumes foreign currency parity, was due primarily to a decrease in revenues of \$9.4 million, an increase in diesel fuel expense of \$3.2 million due to increases in the market price of diesel fuel, an increase in corporate overhead expense allocations of \$1.4 million due to a higher overhead allocation rate and an increase in employee benefits expenses of \$1.2 million due primarily to higher medical expenses, partially offset by a decrease in expenses associated with the purchase of recyclable commodities of \$6.5 million due to decreased recyclable commodity values, a decrease in insurance premium expense of \$1.2 million due primarily to increasing the deductible limits under our insurance program and \$0.3 million of other net expense decreases.

Segment EBITDA in our Central segment increased \$5.7 million, or 8.8%, to \$70.3 million for the three months ended September 30, 2018, from \$64.6 million for the three months ended September 30, 2017. The increase was due primarily to an increase in revenues of \$18.9 million and other net expense decreases of \$0.2 million, partially offset by a net \$11.6 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in direct and administrative labor expenses of \$1.1 million due primarily to employee pay rate increases and an increase in corporate overhead expense allocations of \$0.7 million due to higher revenues for which overhead allocations are based and a higher overhead allocation rate.

Segment EBITDA in our Central segment increased \$13.8 million, or 7.8%, to \$191.8 million for the nine months ended September 30, 2018, from \$178.0 million for the nine months ended September 30, 2017. The increase was due primarily to an increase in revenues of \$44.0 million, a decrease in fuel expense of \$1.6 million due primarily to purchasing fuel in 2018 under favorable fixed price fuel purchase contracts entered into in 2017 and the recognition during the nine months ended September 30, 2018 of retroactive tax credits associated with fuel purchases in 2017 and \$1.8 million of other net expense decreases, partially offset by a net \$25.2 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in direct and administrative labor expenses of \$3.2 million due primarily to employee pay rate increases, an increase in corporate overhead expense allocations of \$2.2 million due to higher revenues for which overhead allocations are based and a higher overhead allocation rate, an increase in third party trucking and transportation expenses of \$2.0 million due to an increase in landfill special waste volumes requiring transportation to our disposal sites and an increase in legal expenses of \$1.0 million.

Segment EBITDA in our E&P segment increased \$7.2 million, or 25.9%, to \$35.1 million for the three months ended September 30, 2018, from \$27.9 million for the three months ended September 30, 2017. The increase was due primarily to an increase in revenues of \$10.8 million, partially offset by an increase in subcontracted operating expenses of \$1.2 million due primarily to subcontracting certain operating activities to third parties, an increase in corporate overhead expense allocations of \$0.7 million due to higher revenues for which overhead allocations are based and a higher overhead allocation rate and \$1.7 million of other expense increases.

Segment EBITDA in our E&P segment increased \$31.5 million, or 49.6%, to \$95.0 million for the nine months ended September 30, 2018, from \$63.5 million for the nine months ended September 30, 2017. The increase was due primarily to an increase in revenues of \$43.8 million, partially offset by an increase in subcontracted operating expenses of \$3.4 million due primarily to subcontracting certain operating activities to third parties, an increase in corporate overhead expense allocations of \$2.1 million due to higher revenues for which overhead allocations are based and a higher overhead allocation rate, an increase in third-party trucking and transportation expenses of \$1.6 million due to increased E&P volumes that require us to transport the waste to our disposal sites, an increase in equipment and facility repair and maintenance expenses of \$1.6 million due to increased equipment hour usage resulting from higher disposal volumes processed at our sites, an increase in royalties of \$1.0 million due to increased disposal volumes, an increase in labor expenses of \$0.9 million due to increased headcount to support higher disposal volumes and \$1.7 million of other expense increases.

Segment EBITDA at Corporate decreased \$2.5 million, to a loss of \$8.3 million for the three months ended September 30, 2018, from a loss of \$5.8 million for the three months ended September 30, 2017. The increase in the loss was due to an increase of \$5.0 million in equity-based compensation expenses associated with adjusting common shares of Waste Connections, Inc. held in our deferred compensation plan by certain key executives to fair value as a result of the shares being exchanged for other investment options, an increase of \$4.0 million in professional fees expense resulting primarily from higher legal expenses and an increase in equity-based compensation expenses of \$1.9 million associated with our annual recurring grant of restricted share units to our personnel, partially offset by an increase in corporate overhead allocated to our segments of \$3.6 million due to an increase in total corporate expenses to support acquired operations, a decrease of \$2.5 million in integration-related professional fees and severance-related expenses incurred in the prior year period for Progressive Waste personnel who were not permanently retained as employees of the Company following the close of the Progressive Waste acquisition, a decrease in direct acquisition costs of \$1.6 million and \$0.7 million of other net expense decreases.

Segment EBITDA at Corporate increased \$18.1 million, to a loss of \$14.4 million for the nine months ended September 30, 2018, from a loss of \$32.5 million for the nine months ended September 30, 2017. The decrease in the loss was due to an increase in corporate overhead allocated to our segments of \$16.4 million due to an increase in total corporate expenses to support acquired operations, a decrease in share-based compensation expenses of \$7.8 million due primarily to less share price volatility and less outstanding shares in the current period for equity awards accounted for as liabilities that were granted to employees of Progressive Waste prior to June 1, 2016 which are subject to valuation adjustments each period based on changes in fair value, a decrease in accrued recurring cash incentive compensation expense to our management of \$2.7 million due to decreased solid waste volumes and reduced revenue for recyclable commodities resulting in a lower achievement of interim financial targets during the nine months ended September 30, 2018, a decrease of \$5.5 million in integration-related professional fees and severance-related expenses incurred in the prior year period for Progressive Waste personnel who were not permanently retained as employees of the Company following the close of the Progressive Waste acquisition, a decrease in deferred compensation expense of \$1.2 million resulting from less increases to deferred compensation liabilities to employees as a result of lower current period increases in the market value of investments to which employee deferred compensation balances are tracked and \$2.0 million of other net expense decreases, partially offset by an increase of \$7.7 million in professional fees expense resulting primarily from higher legal expenses, an increase of \$5.0 million in equity-based compensation expenses associated with adjusting common shares of Waste Connections, Inc. held in our deferred compensation plan by certain key executives to fair value as a result of the shares being exchanged for other investment options and an increase in equity-based compensation expenses of \$4.8 million associated with our annual recurring grant of restricted share units to our personnel.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth certain cash flow information for the nine months ended September 30, 2018 and 2017 (in thousands of U.S. dollars):

	Nine Months Ended September 30,	
	2018	2017
Net cash provided by operating activities	\$ 1,037,792	\$ 888,375
Net cash used in investing activities	(870,446)	(687,106)
Net cash provided by (used in) financing activities	(395,689)	135,159
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(528)	976
Net increase (decrease) in cash, cash equivalents and restricted cash	(228,871)	337,404
Cash, cash equivalents and restricted cash at beginning of period	556,467	169,112
Plus (less): change in cash held for sale	192	(27)
Cash, cash equivalents and restricted cash at end of period	<u>\$ 327,788</u>	<u>\$ 506,489</u>

Operating Activities Cash Flows

For the nine months ended September 30, 2018, net cash provided by operating activities was \$1.038 billion. For the nine months ended September 30, 2017, net cash provided by operating activities was \$888.4 million. The \$149.4 million increase was due primarily to the following:

- 1) *Increase in earnings* — Our increase in net cash provided by operating activities was favorably impacted by \$107.8 million from an increase in net income, excluding depreciation, amortization, deferred taxes, adjustments to contingent consideration and impairments and other operating items, due primarily to the impact of acquisitions closed in 2017 and the nine months ended September 30, 2018, volume driven earnings growth at our E&P segment, price-led earnings growth at certain solid waste segments and benefits resulting from the enactment of the Tax Act in 2017.
- 2) *Prepaid expenses* — Our increase in net cash provided by operating activities was favorably impacted by \$25.8 million from prepaid expenses and other current assets due primarily to decreased prepaid income taxes.
- 3) *Deferred revenue* — Our increase in net cash provided by operating activities was favorably impacted by \$14.7 million from deferred revenue due primarily to a price-driven increase in solid waste collection revenues and the timing of the billing for those services.
- 4) *Account receivable* — Our increase in net cash provided by operating activities was favorably impacted by \$13.3 million from accounts receivable due primarily to the prior year period having a larger seasonal increase in revenues that remained uncollected at period end.

- 5) *Other long-term liabilities* – Our increase in net cash provided by operating activities was favorably impacted by \$12.0 million from other long-term liabilities due primarily to decreased cash settlements of share-based compensation awards granted to Progressive Waste employees prior to the date of the Progressive Waste acquisition that continued to remain outstanding following the closing of the acquisition.
- 6) *Accounts payable and accrued liabilities* – Our increase in net cash provided by operating activities was unfavorably impacted by \$27.5 million from accounts payable and accrued liabilities due primarily to the timing of payments of trade payables.

As of September 30, 2018, we had a working capital surplus of \$207.8 million, including cash and equivalents of \$244.4 million. Our working capital surplus decreased \$166.5 million from a working capital surplus of \$374.3 million at December 31, 2017, including cash and equivalents of \$433.8 million, due primarily to decreased cash balances. To date, we have experienced no loss or lack of access to our cash or cash equivalents; however, we can provide no assurances that access to our cash and cash equivalents will not be impacted by adverse conditions in the financial markets. Our strategy in managing our working capital is generally to apply the cash generated from our operations that remains after satisfying our working capital and capital expenditure requirements, along with share repurchase and dividend programs, to reduce the unhedged portion of our indebtedness under our Credit Agreement and to minimize our cash balances.

Investing Activities Cash Flows

Net cash used in investing activities increased \$183.3 million to \$870.4 million for the nine months ended September 30, 2018, from \$687.1 million for the nine months ended September 30, 2017. The significant components of the increase included the following:

- 1) An increase in cash paid for acquisitions of \$106.1 million due primarily to an increase in acquisition activity in 2018;
- 2) An increase in capital expenditures of \$56.1 million due to higher landfill site development costs and trucks and containers purchased for operations acquired subsequent to September 30, 2017; less
- 3) A decrease in cash proceeds from the disposal of assets of \$22.1 million due primarily to the divestiture of certain operations during the nine months ended September 30, 2017.

Financing Activities Cash Flows

Net cash from financing activities decreased \$530.9 million to net cash used in financing activities of \$395.7 million for the nine months ended September 30, 2018, from net cash provided by financing activities of \$135.2 million for the nine months ended September 30, 2017. The significant components of the decrease included the following:

- 1) A decrease from the net change in long-term borrowings of \$452.2 million (long-term borrowings increased \$230.2 million during the nine months ended September 30, 2017 and decreased \$222.0 million during the nine months ended September 30, 2018) due primarily to prior year borrowings to fund payments for acquisitions;
- 2) An increase in payments to repurchase our common shares of \$42.0 million due to no shares being repurchased during the nine months ended September 30, 2017;
- 3) A decrease of \$14.1 million from changes in book overdraft due to the variability of outstanding cash balances to which outstanding checks are applied; and
- 4) An increase in cash dividends paid of \$15.2 million due primarily to an increase in our quarterly dividend rate to \$0.14 per share for the nine months ended September 30, 2018, from \$0.12 per share for the nine months ended September 30, 2017.

Our business is capital intensive. Our capital requirements include acquisitions and capital expenditures for landfill cell construction, landfill development, landfill closure activities and intermodal facility construction in the future.

On July 24, 2018, our Board of Directors approved, subject to receipt of regulatory approvals, the annual renewal of our normal course issuer bid, or the NCIB, to purchase up to 13,174,976 of our common shares during the period of August 8, 2018 to August 7, 2019 or until such earlier time as the NCIB is completed or terminated at our option. The renewal followed on the conclusion of our NCIB that expired August 7, 2018. We received Toronto Stock Exchange, or the TSX, approval for our annual renewal of the NCIB on August 2, 2018. Under the NCIB, we may make share repurchases only in the open market, including on the New York Stock Exchange, or the NYSE, the TSX, and/or alternative Canadian trading systems, at the prevailing market price at the time of the transaction.

In accordance with TSX rules, any daily repurchases made through the TSX and alternative Canadian trading systems is limited to a maximum of 71,114 common shares, which represents 25% of the average daily trading volume on the TSX of 284,459 common shares for the period from February 1, 2018 to July 31, 2018. The TSX rules also allow us to purchase, once a week, a block of common shares not owned by any insiders, which may exceed such daily limit. The maximum number of shares that can be purchased per day on the NYSE will be 25% of the average daily trading volume for the four calendar weeks preceding the date of purchase, subject to certain exceptions for block purchases. Shareholders may obtain a copy of our TSX Form 12 – Notice of Intention to Make a Normal Course Issuer Bid, without charge, by request directed to our Senior Vice President and Chief Financial Officer at (832) 442-2200.

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

During the nine months ended September 30, 2018, we repurchased 594,474 common shares pursuant to our NCIB in effect during such period at an aggregate cost of \$42.0 million. For the nine months ended September 30, 2017, we did not repurchase any common shares pursuant to the NCIB in effect at such time. As of September 30, 2018, the remaining maximum number of shares available for repurchase under the NCIB was 12,587,332.

Our Board of Directors authorized the initiation of a quarterly cash dividend in October 2010 and has increased it on an annual basis. In October 2017, our Board of Directors authorized an increase to our regular quarterly cash dividend of \$0.02, from \$0.12 to \$0.14 per share. Cash dividends of \$110.4 million and \$95.2 million were paid during the nine months ended September 30, 2018 and 2017, respectively. We cannot assure you as to the amounts or timing of future dividends.

We made \$373.5 million in capital expenditures during the nine months ended September 30, 2018. We expect to make capital expenditures of between \$530 million and \$550 million in 2018 in connection with our existing business. We have funded and intend to fund the balance of our planned 2018 capital expenditures principally through cash on hand, internally generated funds and borrowings under our Credit Agreement. In addition, we may make substantial additional capital expenditures in acquiring municipal solid waste and E&P waste businesses. If we acquire additional landfill disposal facilities, we may also have to make significant expenditures to bring them into compliance with applicable regulatory requirements, obtain permits or expand our available disposal capacity. We cannot currently determine the amount of these expenditures because they will depend on the number, nature, condition and permitted status of any acquired landfill disposal facilities. We believe that our cash and equivalents, Credit Agreement and the funds we expect to generate from operations will provide adequate cash to fund our working capital and other cash needs for the foreseeable future. However, disruptions in the capital and credit markets could adversely affect our ability to draw on our Credit Agreement or raise other capital. Our access to funds under the Credit Agreement is dependent on the ability of the banks that are parties to the agreement to meet their funding commitments. Those banks may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time.

We are a well-known seasoned issuer with an effective shelf registration statement on Form S-3 filed in May 2018, which registers an unspecified amount of debt securities, including debentures, notes or other types of debt. In the future, we may issue debt securities under our shelf registration statement or in private placements from time to time on an opportunistic basis, based on market conditions and available pricing. We expect to use the proceeds from any such offerings for general corporate purposes, including repaying, redeeming or repurchasing debt, acquiring additional assets or businesses, capital expenditures and increasing our working capital.

On March 21, 2018, we did the following:

- entered into the 2016 NPA First Amendment, which amended the 2016 NPA and, among other things, provided for certain amendments to the 2016 NPA to facilitate (i) certain conforming changes to align certain provisions of the 2016 NPA, the Assumed 2008 NPA and the Credit Agreement and (ii) the 2016 Release;
- entered into the 2008 NPA Seventh Amendment, which amended the Assumed 2008 NPA, and, among other things, provides certain amendments to the Assumed 2008 NPA to facilitate (i) certain conforming changes to align the provisions of the Assumed 2008 NPA, the 2016 NPA and the Credit Agreement and (ii) the 2008 Release; and
- entered into the Credit Agreement, which, among other things, facilitated the release of each of our subsidiaries guaranteeing the obligations under the Credit Agreement.

There are no subsidiary guarantors under the 2016 NPA, the Assumed 2008 NPA, or the Credit Agreement.

See Note 10 to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details on the debt agreements.

As of September 30, 2018, \$1.638 billion under the term loan and \$170.0 million under the revolving credit facility were outstanding under our Credit Agreement, exclusive of outstanding standby letters of credit of \$140.5 million. Our Credit Agreement matures in March 2023.

As of September 30, 2018, we had the following contractual obligations:

Recorded Obligations	Payments Due by Period (amounts in thousands of U.S. dollars)				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Long-term debt	\$ 3,763,330	\$ 1,753	\$ 431,483	\$ 2,134,752	\$ 1,195,342
Cash interest payments	\$ 573,413	\$ 111,483	\$ 218,317	\$ 169,123	\$ 74,490
Contingent consideration	\$ 74,761	\$ 13,019	\$ 19,950	\$ 7,280	\$ 34,512
Final capping, closure and post-closure	\$ 1,405,838	\$ 21,428	\$ 26,357	\$ 16,525	\$ 1,341,528

Long-term debt payments include:

- 1) \$170.0 million in principal payments due March 2023 related to our revolving credit facility under our Credit Agreement. Advances are available under the Credit Agreement in U.S. dollars and Canadian dollars and bear interest at fluctuating rates (See Note 10). At September 30, 2018, \$170.0 million of the outstanding borrowings drawn under the revolving credit facility were in Canadian-based bankers' acceptances, bearing interest at a total rate of 2.93% on such date.
- 2) \$1.638 billion in principal payments due March 2023 related to our term loan under our Credit Agreement. Outstanding amounts on the term loan can be either base rate loans or LIBOR loans. At September 30, 2018, all amounts outstanding under the term loan were in LIBOR loans which bear interest at the LIBOR rate plus the applicable margin (for a total rate of 3.34% on such date).
- 3) \$175.0 million in principal payments due 2019 related to our 2019 Senior Notes. The 2019 Senior Notes bear interest at a rate of 5.25%.
- 4) \$100.0 million in principal payments due 2021 related to our 2021 Senior Notes. The 2021 Senior Notes bear interest at a rate of 4.64%.
- 5) \$150.0 million in principal payments due 2021 related to our New 2021 Senior Notes. The New 2021 Senior Notes bear interest at a rate of 2.39%.
- 6) \$125.0 million in principal payments due 2022 related to our 2022 Senior Notes. The 2022 Senior Notes bear interest at a rate of 3.09%.
- 7) \$200.0 million in principal payments due 2023 related to our 2023 Senior Notes. The 2023 Senior Notes bear interest at a rate of 2.75%.
- 8) \$150.0 million in principal payments due 2024 related to our 2024 Senior Notes. The 2024 Senior Notes bear interest at a rate of 3.24%.
- 9) \$375.0 million in principal payments due 2025 related to our 2025 Senior Notes. The 2025 Senior Notes bear interest at a rate of 3.41%.
- 10) \$400.0 million in principal payments due 2026 related to our 2026 Senior Notes. The 2026 Senior Notes bear interest at a rate of 3.03%.
- 11) \$250.0 million in principal payments due 2027 related to our 2027 Senior Notes. The 2027 Senior Notes bear interest at a rate of 3.49%.
- 12) \$15.9 million in principal payments related to our tax-exempt bond, which bear interest at a variable rate (1.61% at September 30, 2018). The tax-exempt bond matures in 2033.
- 13) \$15.0 million in principal payments related to our notes payable to sellers and other third parties. Our notes payable to sellers and other third parties bear interest at rates between 2.75% and 24.81% at September 30, 2018, and have maturity dates ranging from 2018 to 2036.

The following assumptions were made in calculating cash interest payments:

- 1) We calculated cash interest payments on the Credit Agreement using the LIBOR rate plus the applicable LIBOR margin and the Canadian Dollar Offered Rate plus the applicable acceptance fee at September 30, 2018. We assumed the Credit Agreement is paid off when it matures in March 2023.
- 2) We calculated cash interest payments on our interest rate swaps using the stated interest rate in the swap agreement less the LIBOR rate through the earlier expiration of the term of the swaps or the term of the credit facility.

Contingent consideration payments include \$55.0 million recorded as liabilities in our Condensed Consolidated Financial Statements at September 30, 2018, and \$19.7 million of future interest accretion on the recorded obligations.

The estimated final capping, closure and post-closure expenditures presented above are in current dollars.

Unrecorded Obligations ⁽¹⁾	Amount of Commitment Expiration Per Period (amounts in thousands of U.S. dollars)				
	Total	Less Than			Over 5 Years
		1 Year	1 to 3 Years	3 to 5 Years	
Operating leases	\$ 201,517	\$ 34,077	\$ 56,504	\$ 37,797	\$ 73,139
Unconditional purchase obligations	\$ 44,323	\$ 34,739	\$ 9,584	\$ -	\$ -

(1) We are party to operating lease agreements and unconditional purchase obligations. These lease agreements and purchase obligations are established in the ordinary course of our business and are designed to provide us with access to facilities and products at competitive, market-driven prices. At September 30, 2018, our unconditional purchase obligations consisted of multiple fixed-price fuel purchase contracts under which we have 19.2 million gallons remaining to be purchased for a total of \$44.3 million. The current fuel purchase contracts expire on or before February 28, 2021. These arrangements have not materially affected our financial position, results of operations or liquidity during the nine months ended September 30, 2018, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

We have obtained financial surety bonds, primarily to support our financial assurance needs and landfill and E&P operations. We provided customers and various regulatory authorities with surety bonds in the aggregate amounts of approximately \$946.0 million and \$891.0 million at September 30, 2018 and December 31, 2017, respectively. These arrangements have not materially affected our financial position, results of operations or liquidity during the nine months ended September 30, 2018, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

From time to time, we evaluate our existing operations and their strategic importance to us. If we determine that a given operating unit does not have future strategic importance, we may sell or otherwise dispose of those operations. Although we believe our reporting units would not be impaired by such dispositions, we could incur losses on them.

The disposal tonnage that we received in the nine month periods ended September 30, 2018 and 2017, at all of our landfills during the respective period, is shown below (tons in thousands):

	Nine months ended September 30,			
	2018		2017	
	Number of Sites	Total Tons	Number of Sites	Total Tons
Owned operational landfills and landfills operated under life-of-site agreements	89	33,387	86	32,305
Operated landfills	4	335	6	403
	93	33,722	92	32,708

NON-GAAP FINANCIAL MEASURES

Adjusted Free Cash Flow

We present adjusted free cash flow, a non-GAAP financial measure, supplementally because it is widely used by investors as a valuation and liquidity measure in the solid waste industry. Management uses adjusted free cash flow as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We define adjusted free cash flow as net cash provided by operating activities, plus or minus change in book overdraft, plus proceeds from disposal of assets, less capital expenditures for property and equipment and distributions to noncontrolling interests. We further adjust this calculation to exclude the effects of items management believes impact the ability to assess the operating performance of our business. This measure is not a substitute for, and should be used in conjunction with, GAAP liquidity or financial measures. Other companies may calculate adjusted free cash flow differently. Our adjusted free cash flow for the nine month periods ended September 30, 2018 and 2017, are calculated as follows (amounts in thousands of U.S. dollars):

	Nine months ended September 30,	
	2018	2017
Net cash provided by operating activities	\$ 1,037,792	\$ 888,375
Plus (less): Change in book overdraft	(243)	13,814
Plus: Proceeds from disposal of assets	3,698	25,826
Less: Capital expenditures for property and equipment	(373,512)	(317,385)
Less: Distributions to noncontrolling interests	(103)	-
Adjustments:		
Payment of contingent consideration recorded in earnings (a)	11	-
Cash received for divestitures (b)	(1,250)	(21,100)
Transaction-related expenses (c)	4,907	4,418
Integration-related and other expenses (d)	2,794	7,968
Pre-existing Progressive Waste share-based grants (e)	5,219	11,740
Synergy bonus (f)	-	11,798
Tax effect (g)	(3,609)	(11,426)
Adjusted free cash flow	<u>\$ 675,704</u>	<u>\$ 614,028</u>

- (a) Reflects the addback of acquisition-related payments for contingent consideration that were recorded as expenses in earnings and as a component of cash flows from operating activities as the amounts paid exceeded the fair value of the contingent consideration recorded at the acquisition date.
- (b) Reflects the elimination of cash received in conjunction with the divestiture of certain Progressive Waste operations.
- (c) Reflects the addback of acquisition-related transaction costs.
- (d) Reflects the addback of integration-related items, including rebranding costs, associated with the Progressive Waste acquisition.
- (e) Reflects the cash settlement of pre-existing Progressive Waste share-based awards during the period.
- (f) Reflects the addback of cash bonuses paid pursuant to our Synergy Bonus Program in conjunction with the Progressive Waste acquisition.
- (g) The aggregate tax effect of footnotes (a) through (f) is calculated based on the applied tax rates for the respective periods.

Adjusted EBITDA

We present adjusted EBITDA, a non-GAAP financial measure, supplementally because it is widely used by investors as a performance and valuation measure in the solid waste industry. Management uses adjusted EBITDA as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We define adjusted EBITDA as net income attributable to Waste Connections, plus or minus net income (loss) attributable to noncontrolling interests, plus or minus income tax provision (benefit), plus interest expense, less interest income, plus depreciation and amortization expense, plus closure and post-closure accretion expense, plus or minus any loss or gain on impairments and other operating items, plus other expense, less other income, plus foreign currency transaction loss, less foreign currency transaction gain. We further adjust this calculation to exclude the effects of other items management believes impact the ability to assess the operating performance of our business. This measure is not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate adjusted EBITDA differently. Our adjusted EBITDA for the three and nine month periods ended September 30, 2018 and 2017, are calculated as follows (amounts in thousands of U.S. dollars):

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income attributable to Waste Connections	\$ 150,843	\$ 123,227	\$ 414,393	\$ 261,732
Plus (less): Net income (loss) attributable to noncontrolling interests	(77)	183	218	559
Plus: Income tax provision	52,092	64,390	126,509	100,220
Plus: Interest expense	32,078	32,471	96,874	92,763
Less: Interest income	(1,467)	(1,656)	(3,677)	(3,131)
Plus: Depreciation and amortization	175,103	163,554	503,310	471,894
Plus: Closure and post-closure accretion	3,253	2,971	9,749	8,805
Plus (less): Impairments and other operating items	(1,998)	832	6,106	141,333
Less: Other income, net	(732)	(1,709)	(2,376)	(3,561)
Plus: Foreign currency transaction loss	132	1,864	323	3,502
Adjustments:				
Plus: Transaction-related expenses (a)	323	1,958	4,907	4,418
Plus: Fair value changes to equity awards (b)	6,880	2,369	10,101	12,947
Plus: Integration-related and other expenses (c)	379	2,922	2,795	8,344
Adjusted EBITDA	<u>\$ 416,809</u>	<u>\$ 393,376</u>	<u>\$ 1,169,232</u>	<u>\$ 1,099,825</u>

(a) Reflects the addback of acquisition-related transaction costs.

(b) Reflects fair value accounting changes associated with certain equity awards.

(c) Reflects the addback of integration-related items, including rebranding costs, associated with the Progressive Waste acquisition.

Adjusted Net Income and Adjusted Net Income per Diluted Share

We present adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections, both non-GAAP financial measures, supplementally because they are widely used by investors as a valuation measure in the solid waste industry. Management uses adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We provide adjusted net income attributable to Waste Connections to exclude the effects of items management believes impact the comparability of operating results between periods. Adjusted net income attributable to Waste Connections has limitations due to the fact that it excludes items that have an impact on our financial condition and results of operations. Adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections are not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate these non-GAAP financial measures differently. Our adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections for the three and nine month periods ended September 30, 2018 and 2017, are calculated as follows (amounts in thousands of U.S. dollars, except per share amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Reported net income attributable to Waste Connections	\$ 150,843	\$ 123,227	\$ 414,393	\$ 261,732
Adjustments:				
Amortization of intangibles (a)	26,871	26,613	79,444	76,886
Impairments and other operating items (b)	(1,998)	832	6,106	141,333
Transaction-related expenses (c)	323	1,958	4,907	4,418
Fair value changes to equity awards (d)	6,880	2,369	10,101	12,947
Integration-related and other expenses (e)	379	2,922	2,795	8,344
Tax effect (f)	(8,006)	(3,575)	(25,783)	(75,828)
Tax items (g)	6,578	3,787	9,093	3,787
Adjusted net income attributable to Waste Connections	\$ 181,870	\$ 158,133	\$ 501,056	\$ 433,619
Diluted earnings per common share attributable to Waste Connections' common shareholders:				
Reported net income	\$ 0.57	\$ 0.47	\$ 1.57	\$ 0.99
Adjusted net income	\$ 0.69	\$ 0.60	\$ 1.90	\$ 1.64

(a) Reflects the elimination of the non-cash amortization of acquisition-related intangible assets.

(b) Reflects the addback of impairments and other operating items.

(c) Reflects the addback of acquisition-related transaction costs.

(d) Reflects fair value accounting changes associated with certain equity awards.

(e) Reflects the addback of integration-related items, including rebranding costs, associated with the Progressive Waste acquisition.

(f) The aggregate tax effect of the adjustments in footnotes (a) through (e) is calculated based on the applied tax rates for the respective periods.

(g) In 2018, primarily reflects refinements to the estimates, as provided by Staff Accounting Bulletin No. 118, of the impact of a portion of the Company's U.S. earnings no longer deemed to be permanently reinvested in conjunction with the Tax Act; in 2017, reflects the elimination of an increase to the income tax provision associated with an increase in the Company's deferred tax liabilities resulting from the enactment of the Illinois State Budget Public Act 100-0022 on July 6, 2017.

INFLATION

Other than volatility in fuel prices, third party brokerage and labor costs in certain markets, inflation has not materially affected our operations in recent years. Consistent with industry practice, many of our contracts allow us to pass through certain costs to our customers, including increases in landfill tipping fees and, in some cases, fuel costs. Therefore, we believe that we should be able to increase prices to offset many cost increases that result from inflation in the ordinary course of business. However, competitive pressures or delays in the timing of rate increases under our contracts may require us to absorb at least part of these cost increases, especially if cost increases exceed the average rate of inflation. Management's estimates associated with inflation have an impact on our accounting for landfill liabilities.

SEASONALITY

We expect our operating results to vary seasonally, with revenues typically lowest in the first quarter, higher in the second and third quarters and lower in the fourth quarter than in the second and third quarters. This seasonality reflects (a) the lower volume of solid waste generated during the late fall, winter and early spring because of decreased construction and demolition activities during winter months in Canada and the U.S. and (b) reduced E&P activity during harsh weather conditions, with expected fluctuation due to such seasonality between our highest and lowest quarters of approximately 10%. In addition, some of our operating costs may be higher in the winter months. Adverse winter weather conditions slow waste collection activities, resulting in higher labor and operational costs. Greater precipitation in the winter increases the weight of collected municipal solid waste, resulting in higher disposal costs, which are calculated on a per ton basis.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to market risk, including changes in interest rates and prices of certain commodities. We use hedge agreements to manage a portion of our risks related to interest rates and fuel prices. While we are exposed to credit risk in the event of non-performance by counterparties to our hedge agreements, in all cases such counterparties are highly rated financial institutions and we do not anticipate non-performance. We do not hold or issue derivative financial instruments for trading purposes. We monitor our hedge positions by regularly evaluating the positions at market and by performing sensitivity analyses over the unhedged fuel and variable rate debt positions.

At September 30, 2018, our derivative instruments included 16 interest rate swap agreements that effectively fix the interest rate on the applicable notional amounts of our variable rate debt as follows (dollars in thousands of U.S. dollars):

Date Entered	Notional Amount	Fixed Interest Rate Paid*	Variable Interest Rate Received	Effective Date	Expiration Date
April 2014	\$ 100,000	1.800%	1-month LIBOR	July 2014	July 2019
May 2014	\$ 50,000	2.344%	1-month LIBOR	October 2015	October 2020
May 2014	\$ 25,000	2.326%	1-month LIBOR	October 2015	October 2020
May 2014	\$ 50,000	2.350%	1-month LIBOR	October 2015	October 2020
May 2014	\$ 50,000	2.350%	1-month LIBOR	October 2015	October 2020
April 2016	\$ 100,000	1.000%	1-month LIBOR	February 2017	February 2020
June 2016	\$ 75,000	0.850%	1-month LIBOR	February 2017	February 2020
June 2016	\$ 150,000	0.950%	1-month LIBOR	January 2018	January 2021
June 2016	\$ 150,000	0.950%	1-month LIBOR	January 2018	January 2021
July 2016	\$ 50,000	0.900%	1-month LIBOR	January 2018	January 2021
July 2016	\$ 50,000	0.890%	1-month LIBOR	January 2018	January 2021
August 2017	\$ 100,000	1.900%	1-month LIBOR	July 2019	July 2022
August 2017	\$ 200,000	2.200%	1-month LIBOR	October 2020	October 2025
August 2017	\$ 150,000	1.950%	1-month LIBOR	February 2020	February 2023
June 2018	\$ 200,000	2.925%	1-month LIBOR	October 2020	October 2025
June 2018	\$ 200,000	2.925%	1-month LIBOR	October 2020	October 2025

* Plus applicable margin.

Under derivatives and hedging guidance, the interest rate swap agreements are considered cash flow hedges for a portion of our variable rate debt, and we apply hedge accounting to account for these instruments. The notional amounts and all other significant terms of the swap agreements are matched to the provisions and terms of the variable rate debt being hedged.

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged floating rate debt. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. We are exposed to cash flow risk due to changes in interest rates with respect to the unhedged floating rate balances owed at September 30, 2018 and December 31, 2017, of \$973.4 million and \$1.475 billion, respectively, including floating rate debt under our Credit Agreement and floating rate tax-exempt bond obligations. A one percentage point increase in interest rates on our variable-rate debt as of September 30, 2018 and December 31, 2017, would decrease our annual pre-tax income by approximately \$9.7 million and \$14.8 million, respectively. All of our remaining debt instruments are at fixed rates, or effectively fixed under the interest rate swap agreements described above; therefore, changes in market interest rates under these instruments would not significantly impact our cash flows or results of operations, subject to counterparty default risk.

The market price of diesel fuel is unpredictable and can fluctuate significantly. We purchase approximately 65.0 million gallons of fuel per year; therefore, a significant increase in the price of fuel could adversely affect our business and reduce our operating margins. To manage a portion of this risk, we periodically enter into fuel hedge agreements related to forecasted diesel fuel purchases.

At September 30, 2018, our derivative instruments included one fuel hedge agreement as follows:

Date Entered	Notional Amount (in gallons per month)	Diesel Rate Paid Fixed (per gallon)	Diesel Rate Received Variable	Effective Date	Expiration Date
July 2016	1,000,000	\$ 2.6345	DOE Diesel Fuel Index*	January 2018	December 2018

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

Under derivatives and hedging guidance, the fuel hedges are considered cash flow hedges for a portion of our forecasted diesel fuel purchases, and we apply hedge accounting to account for these instruments.

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged diesel fuel purchases. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. For the year ending December 31, 2018, we expect to purchase approximately 65.0 million gallons of fuel, of which 35.0 million gallons will be purchased at market prices, 18.0 million gallons will be purchased under our fixed price fuel purchase contracts and 12.0 million gallons are hedged at a fixed price under our fuel hedge agreement. During the three month period of October 1, 2018 to December 31, 2018, we expect to purchase approximately 8.7 million gallons of fuel at market prices; therefore, a \$0.10 per gallon increase in the price of fuel over the remaining three months in 2018 would decrease our pre-tax income during this period by approximately \$0.9 million.

We market a variety of recyclable materials, including cardboard, office paper, plastic containers, glass bottles and ferrous and aluminum metals. We own and operate recycling operations and sell other collected recyclable materials to third parties for processing before resale. To reduce our exposure to commodity price risk with respect to recycled materials, we have adopted a pricing strategy of charging collection and processing fees for recycling volume collected from third parties. In the event of a decline in recycled commodity prices, a 10% decrease in average recycled commodity prices from the average prices that were in effect during the nine months ended September 30, 2018 and 2017, would have had a \$6.7 million and \$12.4 million impact on revenues for the nine months ended September 30, 2018 and 2017, respectively.

We have operations in Canada and, where significant, we have quantified and described the impact of foreign currency translation on components of income, including operating revenue and operating costs. However, the impact of foreign currency has not materially affected our results of operations in 2017 or 2018. A \$0.01 change in the Canadian dollar to U.S. dollar exchange rate would impact our annual revenue and EBITDA by approximately \$9.5 million and \$3.5 million, respectively.

Item 4. Controls and Procedures

As required by Rule 13a-15(b) under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of September 30, 2018, that our disclosure controls and procedures were effective at the reasonable assurance level such that information required to be disclosed in our Exchange Act reports: (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (2) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended September 30, 2018, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding our legal proceedings can be found in Note 18 of our Condensed Consolidated Financial Statements included in Part I, Item 1 of this report and is incorporated herein by reference.

Item 6. Exhibits

Exhibit Number	Description of Exhibits
<u>3.1</u>	<u>Articles of Amendment (incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K filed on May 26, 2017)</u>
<u>3.2</u>	<u>Articles of Amalgamation (incorporated by reference to Exhibit 3.2 of the Registrant's Form 8-K filed on June 7, 2016)</u>
<u>3.3</u>	<u>Articles of Amendment (incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K filed on June 7, 2016)</u>
<u>3.4</u>	<u>By-law No. 1 of the Registrant (incorporated by reference to Exhibit 3.3 of the Registrant's Form 8-K filed on June 7, 2016)</u>
<u>10.1 +</u>	<u>Separation Benefits Plan of Waste Connections US, Inc., effective July 24, 2018 (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K/A filed on August 31, 2018)</u>
<u>10.2 +</u>	<u>Separation Benefits Plan Participation Letter Agreement by and between Waste Connections US, Inc. and Worthing F. Jackman, effective August 30, 2018 (incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K/A filed on August 31, 2018)</u>
<u>10.3 +</u>	<u>Separation Benefits Plan Participation Letter Agreement by and between Waste Connections US, Inc. and Darrell W. Chambliss, effective October 19, 2018 (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed on October 19, 2018)</u>
<u>10.4 +</u>	<u>Separation Benefits Plan Participation Letter Agreement by and between Waste Connections US, Inc. and Matthew S. Black, effective October 19, 2018 (incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed on October 19, 2018)</u>
<u>10.5 +</u>	<u>Separation Benefits Plan Participation Letter Agreement by and between Waste Connections US, Inc. and David G. Eddie, effective October 19, 2018 (incorporated by reference to Exhibit 10.3 of the Registrant's Form 8-K filed on October 19, 2018)</u>
<u>10.6 +</u>	<u>Separation Benefits Plan Participation Letter Agreement by and between Waste Connections US, Inc. and David M. Hall, effective October 19, 2018 (incorporated by reference to Exhibit 10.4 of the Registrant's Form 8-K filed on October 19, 2018)</u>
<u>10.7 +</u>	<u>Separation Benefits Plan Participation Letter Agreement by and between Waste Connections US, Inc. and James M. Little, effective October 19, 2018 (incorporated by reference to Exhibit 10.5 of the Registrant's Form 8-K filed on October 19, 2018)</u>
<u>10.8 +</u>	<u>Separation Benefits Plan Participation Letter Agreement by and between Waste Connections US, Inc. and Patrick J. Shea, effective October 19, 2018 (incorporated by reference to Exhibit 10.6 of the Registrant's Form 8-K filed on October 19, 2018)</u>

Exhibit Number	Description of Exhibits
<u>10.9 +</u>	<u>Separation Benefits Plan Participation Letter Agreement by and between Waste Connections US, Inc. and Mary Anne Whitney, effective October 19, 2018 (incorporated by reference to Exhibit 10.7 of the Registrant's Form 8-K filed on October 19, 2018)</u>
<u>10.10 +</u>	<u>Third Amendment to Separation Benefits Plan and Employment Agreement, dated October 17, 2018, by and between Waste Connections US, Inc. and Ronald J. Mittelstaedt (incorporated by reference to Exhibit 10.8 of the Registrant's Form 8-K filed on October 19, 2018)</u>
<u>10.11 +</u>	<u>Waste Connections, Inc. 2014 Incentive Award Plan</u>
<u>10.12 +</u>	<u>Waste Connections, Inc. 2016 Incentive Award Plan</u>
<u>10.13 +</u>	<u>Form of Performance-Based Restricted Share Unit Award Agreement (with Three-Year Performance Period) under the Waste Connections, Inc. 2016 Incentive Award Plan</u>
<u>10.14 +</u>	<u>Form of Restricted Share Unit Award Agreement (with One-Year Performance Period) under the Waste Connections, Inc. 2016 Incentive Award Plan</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a)</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a)</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350</u>
<u>32.2</u>	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

+ Management contract or compensatory plan, contract or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WASTE CONNECTIONS, INC.

Date: October 30, 2018

BY: /s/ Ronald J. Mittelstaedt
Ronald J. Mittelstaedt,
Chief Executive Officer

Date: October 30, 2018

BY: /s/ Mary Anne Whitney
Mary Anne Whitney,
Senior Vice President and
Chief Financial Officer

**WASTE CONNECTIONS, INC.
2014 INCENTIVE AWARD PLAN**

1. PURPOSE.

The purpose of the Plan is to provide a means for the Company and any Subsidiary, through the grant of Nonqualified Stock Options, Warrants, Restricted Stock, Restricted Stock Unit awards, Performance Awards, Dividend Equivalent awards and Stock Payment awards to selected Employees (including officers), Directors and Consultants, to attract and retain persons of ability as Employees, Directors and Consultants, and to motivate such persons to exert their best efforts on behalf of the Company and any Subsidiary. This Plan is hereby amended and restated effective July 24, 2018.

2. DEFINITIONS.

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

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

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

(d) **“Award”** means an Option, a Warrant, a Restricted Stock award, a Restricted Stock Unit award, a Performance Award, a Dividend Equivalents award or a Stock Payment award, which may be awarded or granted under the Plan (collectively, **“Awards”**).

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

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

(g) **“Board”** means the Company’s Board of Directors.

(h) **“Change in Control”** means:

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

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

(iii) a transaction or series of related transactions in which any “person” (as defined in Section 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of fifty percent (50%) or more of the Company’s outstanding voting securities; or

(iv) during any period of two consecutive years, individuals who at the beginning of such period constituted the entire Board shall cease for any reason to constitute at least one-half of the membership thereof unless the election, or the nomination for election by the Company’s stockholders, of each new director was approved by a vote of at least one-half of the directors then still in office who were directors at the beginning of the period.

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

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

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

(k) **“Company”** means Waste Connections, Inc., a corporation existing under the Business Corporations Act (Ontario).

(l) **“Consultant”** means any person, including an advisor, engaged by the Company or a Subsidiary to render consulting services and who is compensated for such services; provided, that such person qualifies as a consultant under the applicable rules of the Securities and Exchange Commission for registration of shares on a Form S-8 Registration Statement; and, provided, further, that the term “Consultant” shall not include Directors.

(m) **“Continuous Status as an Employee, Director or Consultant”** means the individual’s employment as an Employee or relationship as a Consultant is not interrupted or terminated, or, in the case of a Director who is not an Employee, the term means the Director remains a Director of the Company. The Board, in its sole discretion, may determine whether Continuous Status as an Employee, Director or Consultant shall be considered interrupted in the case of (i) any leave of absence approved by the Board, including sick leave, military leave or any other personal leave, or (ii) transfers between locations of the Company or between the Company and a Subsidiary or their successors.

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

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

(p) **“Disability”** means permanent and total disability within the meaning of Section 422(c)(6) of the Code.

(q) **“Dividend Equivalent”** means a right to receive the equivalent value (in cash or Shares) of dividends paid on Shares, awarded under Section 11(b).

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

(s) **“Effective Date”** means the date the Plan is approved by the Board, subject to the approval of the Plan by the Company’s stockholders.

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

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

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

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

(w) **“Fair Market Value ”** means, as of any date, the value of Stock determined as follows:

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

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

(iii) In absence of an established market for the Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

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

(y) **“Nonqualified Stock Options”** means Options that are not intended to qualify as incentive stock options within the meaning of Section 422 of the Code.

(z) **“Option Agreement”** means a written certificate or agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan that apply to Options.

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

(bb) **“Options”** means Nonqualified Stock Options.

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

(dd) **“Performance Award”** means a cash bonus award, stock bonus award, performance award or incentive award that is paid in cash, Shares or a combination of both, awarded under Section 11(a).

(ee) **“Performance-Based Compensation”** shall mean any compensation that is intended to qualify as “performance-based compensation” as described in Section 162(m)(4)(C) of the Code.

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

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

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

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

- (hh) **“Performance Period”** means one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to, and the payment of, an Award.
- (ii) **“Performance Stock Unit”** means a Performance Award awarded under Section 11(a) which is denominated in units of value including dollar value of Shares.
- (jj) **“Permitted Transferee”** means, with respect to a Participant, any “family member” of the Participant, as defined in the instructions to Form S-8 under the Securities Act, after taking into account Applicable Law.
- (kk) **“Plan”** means this 2014 Incentive Award Plan, as it may be amended and restated from time to time.
- (ll) **“Program”** means any program adopted by the Administrator pursuant to the Plan containing the terms and conditions intended to govern a specified type of Award granted under the Plan and pursuant to which such type of Award may be granted under the Plan.
- (mm) **“Restricted Stock”** means Stock awarded under the Plan in accordance with the terms and conditions set forth in Section 7.
- (nn) **“Restricted Stock Agreement”** means a written certificate or Award Agreement between the Company and a Restricted Stock Participant evidencing a Restricted Stock Award. Each Restricted Stock Agreement shall be subject to the terms and conditions of the Plan that apply to Restricted Stock.
- (oo) **“Restricted Stock Award”** means shares of Restricted Stock awarded pursuant to the terms and conditions of the Plan.
- (pp) **“Restricted Stock Unit”** means a contractual right to receive Stock under the Plan upon the attainment of designated performance milestones or the completion of a specified period of employment or service with the Company or any Subsidiary or upon a specified date or dates following the attainment of such milestones or the completion of such service period.
- (qq) **“Restricted Stock Unit Agreement”** means a written agreement between the Company and a Restricted Stock Unit Participant evidencing a Restricted Stock Unit Award. Each Restricted Stock Unit Agreement shall be subject to the terms and conditions of the Plan that apply to Restricted Stock Units.
- (rr) **“Restricted Stock Unit Award”** means an award of Restricted Stock Units made pursuant to the terms and conditions of the Plan.
- (ss) **“Restriction Period”** means a time period, which may or may not be based on Performance Goals and/or the satisfaction of vesting provisions (which may depend on the Continuous Status as an Employee, Director or Consultant of the applicable Restricted Stock Participant), that applies to, and is established or specified by the Administrator at the time of, each Restricted Stock Award.

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

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

(vv) **“Shares”** means shares of Stock.

(ww) **“Stock”** means the Common Stock of the Company.

(xx) **“Stock Payment”** means (a) a payment in the form of Shares, or (b) an option or other right to purchase Shares, as part of a bonus, deferred compensation or other arrangement, awarded under Section 11.

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

(zz) **“Subsidiary”** means any corporation that at the time an Award is granted under the Plan qualifies as a subsidiary of the Company under the definition of “subsidiary corporation” contained in Section 424(f) of the Code, or any similar provision hereafter enacted.

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

(bbb) **“Warrant Agreement”** means a written certificate or agreement between the Company and a Participant evidencing the terms and conditions of an individual Warrant grant. Each Warrant Agreement shall be subject to the terms and conditions of the Plan that apply to Warrants.

3. **SHARES SUBJECT TO THE PLAN.**

(a) Stock Available for Awards.

(i) Subject to Sections 3(a)(ii) and 11(a), the aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan is 3,250,000.

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

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

(b) Annual Award Limit. Notwithstanding any provision in the Plan to the contrary, and subject to Section 12, the maximum aggregate number of Shares with respect to one or more Awards that may be granted to any one person during any calendar year shall be 500,000, the maximum aggregate number of Shares with respect to Options that may be granted to any one person during any calendar year shall be 500,000, the maximum aggregate number of Shares with respect to Warrants that may be granted to any one person during any calendar year shall be 250,000 and the maximum aggregate amount of cash that may be paid in cash to any one person during any calendar year with respect to one or more Awards payable in cash shall be \$7,500,000. Notwithstanding the foregoing and subject to Section 12, the maximum aggregate number of Shares with respect to one or more Awards that may be granted to any Non-Employee Director during any calendar year shall be 25,000 Shares.

(c) Stock Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Common Stock, treasury Common Stock or Common Stock purchased on the open market.

4. ADMINISTRATION.

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

(b) Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan, the Program and the Award Agreement, and to adopt such rules for the administration, interpretation and application of the Plan as are not inconsistent therewith, to interpret, amend or revoke any such rules and to amend any Program or Award Agreement; provided that the rights or obligations of the Participant that is the subject of any such Program or Award Agreement are not affected adversely by such amendment, unless the consent of the Participant is obtained or such amendment is otherwise permitted under Section 9(k) or Section 17(h). Any such grant or award under the Plan need not be the same with respect to each Participant. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or any successor rule, or Section 162(m) of the Code, or any regulations or rules issued thereunder, or the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded are required to be determined in the sole discretion of the Committee.

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

(d) Authority of Administrator. Subject to the Company's Bylaws, the Committee's Charter and any specific designation in the Plan, the Administrator has the exclusive power, authority and sole discretion to:

- (i) Designate Eligible Individuals to receive Awards;
- (ii) Determine the type or types of Awards to be granted to each Eligible Individual;
- (iii) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(iv) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, purchase price, any Performance Criteria, any restrictions or limitations on the Award, any schedule for vesting, lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;

(v) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(vi) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(vii) Decide all other matters that must be determined in connection with an Award;

(viii) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(ix) Interpret the terms of, and any matter arising pursuant to, the Plan, any Program or any Award Agreement;

(x) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan; and

(xi) Accelerate wholly or partially the vesting or lapse of restrictions of any Award or portion thereof at any time after the grant of an Award, subject to whatever terms and conditions it selects and Section 12.

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

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

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

5. TERMS AND CONDITIONS OF OPTIONS.

Each Option granted shall be evidenced by an Option Agreement in substantially the form as may be approved by the Administrator. Each Option Agreement shall include the following terms and conditions and such other terms and conditions as the Administrator may deem appropriate:

(a) Option Term. Each Option Agreement shall specify the term for which the Option thereunder is granted and shall provide that such Option shall expire at the end of such term. The Administrator may extend such term; provided that the term of any Option, including any such extensions, shall not exceed ten years from the date of grant.

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

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

(d) Company's Repurchase Right on Option Shares. Each Option Agreement may, but is not required to, include provisions whereby the Company shall have the right to repurchase any and all shares acquired by an Optionee on exercise of any Option granted under the Plan, at such price and on such other terms and conditions as the Administrator may approve and as may be set forth in the Option Agreement. Such right shall be exercisable by the Company after termination of an Optionee's Continuous Status as an Employee, Director or Consultant, whenever such termination may occur and whether such termination is voluntary or involuntary, with cause or without cause, without regard to the reason therefor, if any.

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

6. TERMS AND CONDITIONS OF WARRANTS.

Each Warrant granted shall be evidenced by a Warrant Agreement in substantially the form as may be approved by the Administrator. Each Warrant Agreement shall include the following terms and conditions and such other terms and conditions as the Administrator may deem appropriate:

(a) Warrant Term. Each Warrant Agreement shall specify the term for which the Warrant thereunder is granted and shall provide that such Warrant shall expire at the end of such term. The Administrator may extend such term; provided that the term of any Warrant, including any such extensions, shall not exceed ten years from the date of grant.

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

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

(d) Company's Repurchase Right on Warrant Shares. Each Warrant Agreement may, but is not required to, include provisions whereby the Company shall have the right to repurchase any and all shares acquired by a Participant on exercise of any Warrant granted under the Plan, at such price and on such other terms and conditions as the Administrator may approve and as may be set forth in the Warrant Agreement. Such right shall be exercisable by the Company after termination of a Participant's Continuous Status as an Employee, Director or Consultant, whenever such termination may occur and whether such termination is voluntary or involuntary, with cause or without cause, without regard to the reason therefor, if any.

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

7. TERMS AND CONDITIONS OF RESTRICTED STOCK AWARDS.

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

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

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

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

(c) Cash Payment. The Administrator shall establish the purchase price, if any, and form of payment for Restricted Stock; provided, however, that if a purchase price is charged, such purchase price shall be no less than the par value, if any, of the Shares to be purchased, unless otherwise permitted by Applicable Law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.

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

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

(f) Dividends. A Restricted Stock Participant who holds outstanding shares of Restricted Stock shall not be entitled to any dividends paid thereon, other than dividends in the form of the Company's stock. In addition, with respect to a share of Restricted Stock with performance-based vesting, dividends which are paid prior to vesting shall only be paid out to the Restricted Stock Participant to the extent that the performance-based vesting conditions are subsequently satisfied and the share of Restricted Stock vests.

(g) Expiration of Restriction Period. Upon a Restricted Stock Participant's shares of Restricted Stock becoming free of the foregoing restrictions, the Company shall, subject to Sections 9(j), 9(k) and 9(m), deliver stock certificates evidencing such Stock to such Restricted Stock Participant. Such certificates shall be freely transferable, subject to any market black-out periods which may be imposed by the Company from time to time or insider trading policies to which the Restricted Stock Participant may at the time be subject.

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

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

8. TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARDS.

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

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

(i) The Restricted Stock Units subject to a Restricted Stock Unit Award shall entitle the Restricted Stock Unit Participant to receive the Shares underlying those Restricted Stock Units upon the attainment of designated performance goals, including but not limited to one or more Performance Criteria, Company performance, individual performance, the satisfaction of specified employment or service requirements, upon the expiration of a designated time period following the attainment of such goals or the satisfaction of the applicable service period or other specific criteria, in each case on a specified date or dates or over any period or periods, as determined by the Administrator. The Administrator may alternatively provide the Restricted Stock Unit Participant with the right to elect the issue date or dates for the Shares which vest under his or her Restricted Stock Unit Award. The issuance of vested shares under the Restricted Stock Unit Award may be deferred to a date following the termination of the Restricted Stock Unit Participant's employment or service with the Company and its Subsidiaries.

(ii) At the time of grant, the Administrator shall specify the maturity date applicable to each grant of Restricted Stock Units, which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the Participant (if permitted by the applicable Award Agreement); provided that, except as otherwise determined by the Administrator, set forth in any applicable Award Agreement, and subject to compliance with Section 409A of the Code, in no event shall the maturity date relating to each Restricted Stock Unit occur following the later of (a) the 15th day of the third month following the end of calendar year in which the applicable portion of the Restricted Stock Unit vests; or (b) the 15th day of the third month following the end of the Company's fiscal year in which the applicable portion of the Restricted Stock Unit vests. On the maturity date, the Company shall, subject to Section 9(j)(v), transfer to the Participant one unrestricted, fully transferable Share for each Restricted Stock Unit scheduled to be paid out on such date and not previously forfeited, or in the sole discretion of the Administrator, an amount in cash equal to the Fair Market Value of such Shares on the maturity date or a combination of cash and Common Stock as determined by the Administrator.

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

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

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

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

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

(e) Issuance of Stock Certificates. Each Restricted Stock Unit Participant who becomes entitled to an issuance of Shares following the vesting of his or her Restricted Stock Unit Award shall, subject to Sections 9(j), 9(k) and 9(m), be issued one or more stock certificates for those shares. Subject to such Sections 9(j), 9(k) and 9(m), each such stock certificate shall be registered in the name of the Restricted Stock Unit Participant and shall be freely transferable, subject to any market black-out periods which may be imposed by the Company from time to time or insider trading policies to which the Restricted Stock Unit Participant may at the time be subject.

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

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

(a) Participation. The Administrator may, from time to time, select from among all Eligible Individuals, those to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be inconsistent with the requirements of the Plan. Except as provided in Section 9(f) regarding the grant of Awards pursuant to the Non-Employee Director Equity Compensation Policy, no Eligible Individual shall have any right to be granted an Award pursuant to the Plan.

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

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

(d) At-Will Employment: Voluntary Participation. Neither this Plan nor any Awards shall confer on any Participant or other person: (i) any rights or claims under the Plan except in accordance with the provisions of the Plan and the applicable Program or Award Agreement; (ii) any right with respect to continuation of employment by the Company or any Subsidiary or engagement as a Consultant or Director, nor shall they interfere in any way with the right of the Company or any Subsidiary that employs or engages a Participant to terminate that person's employment or engagement at any time with or without cause; (iii) any right to be selected to participate in the Plan or to be granted an Award; or (iv) any right to receive any bonus, whether payable in cash or in Stock, or in any combination thereof, from the Company or its subsidiaries, nor be construed as limiting in any way the right of the Company or its subsidiaries to determine, in its sole discretion, whether or not it shall pay any employee or consultant bonus, and, if so paid, the amount thereof and the manner of such payment.

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

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

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

(h) Payment. The Administrator shall determine the methods by which payments by any Participant with respect to any Awards granted under the Plan shall be made, including, without limitation: (a) cash or check, (b) Shares (including, in the case of payment of the exercise price of an Award, Shares issuable pursuant to the exercise of the Award) or Shares held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences, in each case, having a Fair Market Value on the date of delivery equal to the aggregate payments required, (c) delivery of a written or electronic notice that the Participant has placed a market sell order with a broker acceptable to the Company with respect to Shares then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required; provided that payment of such proceeds is then made to the Company upon settlement of such sale, or (d) other form of legal consideration acceptable to the Administrator in its sole discretion. The Administrator shall also determine the methods by which Shares shall be delivered or deemed to be delivered to Participants. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a Director or an “executive officer” of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment, with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

(i) Transferability of Awards.

(i) Except as otherwise provided in Section 9(i)(ii) and 9(i)(iii):

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

(B) No Award or interest or right therein shall be liable for the debts, contracts or engagements of the Participant or the Participant’s successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by Section 9(i)(i)(A); and

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

(ii) Notwithstanding Section 9(i)(i), the Administrator, in its sole discretion, may determine to permit a Participant to transfer an Award to any one or more Permitted Transferees, subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than by will or the laws of descent and distribution or pursuant to a DRO; (ii) an Award transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Award as applicable to the original Participant (other than the ability to further transfer the Award); (iii) the Participant and the Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under Applicable Law and (C) evidence the transfer and (iv) any transfer of an Award to a Permitted Transferee shall be without consideration, except as required by Applicable Law.

(iii) Notwithstanding Section 9(i)(i), a Participant may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Program or Award Agreement applicable to the Participant, except to the extent the Plan, the Program and the Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Participant is married or a domestic partner in a domestic partnership qualified under Applicable Law and resides in a community property state, a designation of a person other than the Participant's spouse or domestic partner, as applicable, as the Participant's beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written or electronic consent of the Participant's spouse or domestic partner. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time; provided that the change or revocation is filed with the Administrator prior to the Participant's death.

(j) Conditions to Issuance of Shares.

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

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

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

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

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

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

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

(ii) All Awards (including any proceeds, gains or other economic benefit actually or constructively received by the Participant upon any receipt or exercise of any Award or upon the receipt or resale of any Shares underlying the Award) shall be subject to the provisions of any claw-back policy implemented by the Company, including, without limitation, any claw-back policy adopted to comply with the requirements of Applicable Law, including without limitation the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, to the extent set forth in such claw-back policy and/or in the applicable Award Agreement.

(l) Prohibition on Repricing. Subject to Section 12, the Administrator shall not, without the approval of the stockholders of the Company, (i) authorize the amendment of any outstanding Option or Warrant to reduce its exercise or purchase price per share, or (ii) cancel any Option or Warrant in exchange for cash or another Award when the Option or Warrant exercise or purchase price per share exceeds the Fair Market Value of the underlying Shares. Subject to Section 12, the Administrator shall have the authority, without the approval of the stockholders of the Company, to amend any outstanding Award to increase the exercise or purchase price per share or to cancel and replace an Award with the grant of an Award having an exercise or purchase price per share that is greater than or equal to the price per share of the original Award. Furthermore, for purposes of this Section 9(l), except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the terms of outstanding Awards may not be amended to reduce the exercise or purchase price per share of outstanding Options or Warrants or cancel outstanding Options or Warrants in exchange for cash, other Awards, Options or Warrants with an exercise or purchase price per share that is less than the exercise or purchase price per share of the original Options or Warrants without the approval of the stockholders of the Company.

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

10. PROVISIONS APPLICABLE TO AWARDS INTENDED TO QUALIFY AS PERFORMANCE-BASED COMPENSATION.

(a) Purpose. The Committee, in its sole discretion, may determine at the time an Award is granted or at any time thereafter whether such Award is intended to qualify as Performance-Based Compensation. If the Committee, in its sole discretion, decides to grant such an Award to an Eligible Individual that is intended to qualify as Performance-Based Compensation (other than an Option or Warrant), then the provisions of this Section 10 shall control over any contrary provision contained in the Plan. The Administrator, in its sole discretion, may grant Awards to other Eligible Individuals that are based on Performance Criteria or Performance Goals or any such other criteria and goals as the Administrator shall establish, but that do not satisfy the requirements of this Section 10 and that are not intended to qualify as Performance-Based Compensation. Unless otherwise specified by the Committee at the time of grant, the Performance Criteria with respect to an Award intended to be Performance-Based Compensation payable to a Covered Employee shall be determined on the basis of Applicable Accounting Standards.

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

(c) Types of Awards. Notwithstanding anything in the Plan to the contrary, the Committee may grant any Award to an Eligible Individual intended to qualify as Performance-Based Compensation, including, without limitation, Restricted Stock the restrictions with respect to which lapse upon the attainment of specified Performance Goals, Restricted Stock Units that vest and become payable upon the attainment of specified Performance Goals and any Performance Awards described in Section 11 that vest or become exercisable or payable upon the attainment of one or more specified Performance Goals.

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

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

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

11. AWARD OF PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS, STOCK PAYMENTS.

(a) Performance Awards.

(i) The Administrator is authorized to grant Performance Awards, including Awards of Performance Stock Units, to any Eligible Individual and to determine whether such Performance Awards shall be Performance-Based Compensation. The value of Performance Awards, including Performance Stock Units, may be linked to any one or more of the Performance Criteria or other specific criteria determined by the Administrator, in each case on a specified date or dates or over any period or periods and in such amounts as may be determined by the Administrator. Performance Awards, including Performance Stock Unit awards may be paid in cash, Shares, or a combination of cash and Shares, as determined by the Administrator.

(ii) Without limiting Section 11(a)(i), the Administrator may grant Performance Awards to any Eligible Individual in the form of a cash bonus payable upon the attainment of objective Performance Goals, or such other criteria, whether or not objective, which are established by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. Any such bonuses paid to a Participant which are intended to be Performance-Based Compensation shall be based upon objectively determinable bonus formulas established in accordance with the provisions of Section 10.

(b) Dividend Equivalents.

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

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

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

(d) Term. The term of a Performance Award, Dividend Equivalent award and/or a Stock Payment award shall be established by the Administrator in its sole discretion.

(e) Purchase Price. The Administrator may establish the purchase price of a Performance Award or Shares distributed as a Stock Payment award; provided, however, that value of the consideration shall not be less than the par value of a Share, unless otherwise permitted by Applicable Law.

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

12. ADJUSTMENTS ON CERTAIN EVENTS.

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

(b) In the event of any transaction or event described in Section 12(a) or any unusual or nonrecurring transactions or events affecting the Company, any Subsidiary of the Company, or the financial statements of the Company or any Subsidiary, or of changes in Applicable Law or accounting principles, the Administrator, in its sole discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 12 the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Administrator, in its sole discretion, having an aggregate value not exceeding the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable or fully vested;

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

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

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

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

(c) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Section 12(a) and 12(b):

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

(ii) The Administrator shall make such equitable adjustments, if any, as the Administrator, in its sole discretion, may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of Shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Sections 3(a) and 3(b) on the maximum number and kind of Shares which may be issued under the Plan, and adjustments of the Award Limit). The adjustments provided under this Section 12(c) shall be nondiscretionary and shall be final and binding on the affected Participant and the Company.

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

(e) With respect to Awards which are granted to Covered Employees and are intended to qualify as Performance-Based Compensation, no adjustment or action described in this Section 12 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause such Award to fail to so qualify as Performance-Based Compensation, unless the Administrator determines that the Award should not so qualify. No adjustment or action described in this Section 12 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b)(1) of the Code. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 of the Exchange Act or violate the exemptive conditions of Rule 16b-3 unless the Administrator determines that the Award is not to comply with such exemptive conditions.

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

(g) No action shall be taken under this Section 12 which shall cause an Award to fail to be exempt from or comply with Section 409A of the Code or the Treasury Regulations thereunder.

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

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

(j) Fractional Shares. All calculations under this Section 12 shall be, in the case of exercise price, rounded up to the nearest cent or, in the case of shares, rounded down to the nearest one-hundredth of a share, but in no event shall the Company be obligated to issue any fractional share.

(k) Uniformity of Actions Not Required. Any actions or determinations by the Board under this Section 12 need not be uniform as to all outstanding Awards, and need not treat all Participants identically.

13. TAX WITHHOLDING OBLIGATIONS.

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

14. AMENDMENT, TERMINATION OR SUSPENSION OF THE PLAN.

(a) Amendment, Termination or Suspension of Plan. Except as otherwise provided in this Section 14(a), the Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board or the Committee. However, without approval of the Company's stockholders given within twelve (12) months before or after the action by the Administrator, no action of the Administrator may, except as provided in Section 12, (i) increase the limits imposed in Section 3(a) on the maximum number of Shares which may be issued under the Plan, (ii) reduce the price per share of any outstanding Option or Warrant granted under the Plan or take any action prohibited under Section 9(l), or (iii) cancel any Option or Warrant in exchange for cash or another Award when the Option or Warrant price per share exceeds the Fair Market Value of the underlying Shares. Except as provided in Section 9(k) and Section 17(h), no amendment, suspension or termination of the Plan shall, without the consent of the Participant, impair any rights or obligations under any Award theretofore granted or awarded, unless the Award itself otherwise expressly so provides.

(b) Amendment of Awards. The Board may amend the terms of any Award previously granted, including any Award Agreement, retroactively or prospectively, but no such amendment shall materially impair the previously accrued rights of any Participant with respect to any such Award without his or her written consent.

15. COMPLIANCE WITH SECTION 16 OF THE EXCHANGE ACT.

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

16. LIMITATION OF LIABILITY AND INDEMNIFICATION.

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

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

17. MISCELLANEOUS

(a) Approval of Plan by Stockholders. The Plan shall be submitted for the approval of the Company's stockholders within twelve (12) months after the date of the Board's initial adoption of the Plan. Awards may be granted or awarded prior to such stockholder approval; provided that such Awards shall not be exercisable, shall not vest and the restrictions thereon shall not lapse and no Shares shall be issued pursuant thereto prior to the time when the Plan is approved by the stockholders; and provided, further, that if such approval has not been obtained at the end of said twelve (12) month period, all Awards previously granted or awarded under the Plan shall thereupon be canceled and become null and void.

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

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

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

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

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

(g) Governing Law. The Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to such state's conflict of law provisions, and, in any event, except as superseded by applicable Federal law.

(h) Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A of the Code, the Program pursuant to which such Award is granted and the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan, the Program and any Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may adopt such amendments to the Plan and the applicable Program and Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

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

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

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

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

**WASTE CONNECTIONS, INC.
2016 INCENTIVE AWARD PLAN**

1. PURPOSE.

The purpose of the Plan is to provide a means for the Company and any Subsidiary, through the grant of Options, Warrants, Restricted Shares, Restricted Share Units, Deferred Share Units, Performance Awards, Dividend Equivalents, and Share Payments to selected Employees (including officers), Directors and Consultants, to attract and retain persons of ability as Employees, Directors and Consultants, and to motivate such persons to exert their best efforts on behalf of the Company and any Subsidiary. This Plan is hereby amended and restated effective July 24, 2018.

2. DEFINITIONS.

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

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

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

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

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

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

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

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

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

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

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

(l) “ **Change in Control** ” means:

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

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

(iii) a transaction or series of related transactions in which any “person” (as defined in Section 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of fifty percent (50%) or more of the Company’s outstanding voting securities; or

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

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

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

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

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

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

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

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

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

- (t) “ **Deferred Share Unit Agreement** ” means the Award Agreement evidencing the terms and conditions of an individual grant of Deferred Share Units. Each Deferred Share Unit Agreement shall be subject to the terms and conditions of the Plan that apply to Deferred Share Units.
- (u) “ **Deferred Share Unit Award** ” means an award of Deferred Share Units made pursuant to the terms and conditions of the Plan.
- (v) “ **Deferred Share Unit Settlement Date** ” in respect of a particular Director means the third business day following the earliest time of: (i) the Director’s death; or (ii) the latest time that the Director ceases to be an employee, officer or director of the Company and any affiliate (within the meaning of that term in paragraph 8 of Interpretation Bulletin IT-337R4, *Retiring Allowances [Consolidated]* , or any successor publication thereto).
- (w) “ **Director** ” means a member of the Company’s Board.
- (x) “ **Disability** ” means, (i) in respect of a US Participant, permanent and total disability within the meaning of Section 422(c)(6) of the Code, and, (ii) in respect of a Canadian Participant, means any physical or mental incapacity, disease or affliction as determined by a legally qualified medical practitioner selected by the Company, which prevents the Canadian Participant from performing his employment or consulting obligations for at least one hundred and eighty (180) consecutive days or an aggregate of two hundred and seventy (270) days during the terms of his employment or consulting relationship.
- (y) “ **Dividend Equivalent** ” means a right to receive the equivalent value (in cash or Shares) of dividends paid on Shares, awarded under Section 12(b).
- (z) “ **DRO** ” means, in respect of a US Participant, a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended from time to time, or the rules thereunder.
- (aa) “ **Effective Date** ” means the date the Plan is approved by the Board, subject to the approval of the Plan and/or Shares issuable pursuant to the Plan by the Company’s shareholders.
- (bb) “ **Eligible Individual** ” means any person who is an Employee, a Consultant or a Non-Employee Director, as determined by the Committee.
- (cc) “ **Employee** ” means any person employed by the Company or any Subsidiary of the Company. Any officer of the Company or a Subsidiary is an Employee. A Director is not an Employee unless he or she has an employment relationship with the Company or a Subsidiary in addition to being a Director. Service as a Consultant shall not be sufficient to constitute “employment” by the Company or any Subsidiary of the Company.
- (dd) “ **Equity Restructuring** ” means a nonreciprocal transaction between the Company and its shareholders, such as a share dividend, share split, share consolidation, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the number or kind of Shares (or other securities of the Company) or the share price of Shares (or other securities) and causes a change in the per-share value of the Shares underlying outstanding Awards.

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

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

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

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

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

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

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

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

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

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

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

- (kk) “**OBCA**” means the *Business Corporations Act* (Ontario), together with the regulations thereto, as may be amended from time to time.
- (ll) “**Option Agreement**” means the Award Agreement evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan that apply to Options.
- (mm) “**Optionee**” means an Employee, Director or Consultant who holds an outstanding Option.
- (nn) “**Options**” means:
- (A) in respect of a US Participant, Nonqualified Share Options awarded under Section 5; and
 - (B) in respect of a Canadian Participant, an option to acquire one Share awarded under Section 5.
- (oo) “**OSA**” means the Securities Act (Ontario), as amended from time to time.
- (pp) “**Participant**” means a person who has been granted an Award.
- (qq) “**Performance Award**” means a cash bonus award, share bonus award, performance award or incentive award that is paid in cash, or at the discretion of the Company, Shares or a combination of both, awarded under Section 12(a).
- (rr) “**Performance-Based Compensation**” means, in respect of any US Participant, any compensation that is intended to qualify as “performance-based compensation” as described in Section 162(m)(4)(C) of the Code.
- (ss) “**Performance Criteria**” means the criteria (and adjustments) that the Committee selects for an Award for purposes of establishing the Performance Goal or Performance Goals for a Performance Period, determined as follows:
- (i) The Performance Criteria that shall be used to establish Performance Goals are limited to the following: (i) net earnings (either before or after one or more of the following: (A) interest, (B) taxes, (C) depreciation and (D) amortization), expressed in dollars or as a percent of revenues; (ii) gross or net sales or revenue; (iii) net income (either before or after taxes); (iv) adjusted net income; (v) operating earnings or profit; (vi) cash flow (including, but not limited to, cash flow from operating activities and free cash flow); (vii) return on assets; (viii) return on invested capital; (ix) return on shareholders’ equity; (x) total shareholder return; (xi) return on sales; (xii) gross or net profit margin or operating margin; (xiii) costs; (xiv) expenses; (xv) working capital; (xvi) earnings per share; (xvii) adjusted earnings per share; (xviii) price per share; (xix) regulatory body approval for commercialization of a product; (xx) implementation or completion of critical projects; (xxi) market share; (xxii) economic value; (xxiii) gross profit; (xxiv) net cash provided by operating activities as a percentage of revenue; (xxv) customer satisfaction; (xxvi) safety performance; (xxvii) compound annual growth rate; (xxviii) total debt, interest expense, or total capital; (xxix) expense reduction and/or cash flow savings from integration of acquisitions; or (xxx) capital expenditures, any of which may be utilized in combination or measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices or to historic results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. **SHARES SUBJECT TO THE PLAN.**

(a) Shares Available for Awards.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. ADMINISTRATION.

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

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

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

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

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

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

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

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

5. TERMS AND CONDITIONS OF OPTIONS.

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

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

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

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

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

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

6. TERMS AND CONDITIONS OF WARRANTS.

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

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

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

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

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

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

7. TERMS AND CONDITIONS OF RESTRICTED SHARE AWARDS.

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

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

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

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

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

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

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

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

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

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

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

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

8. TERMS AND CONDITIONS OF RESTRICTED SHARE UNIT AWARDS.

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

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

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

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

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

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

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

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

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

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

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

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

9. TERMS AND CONDITIONS OF DEFERRED SHARE UNIT AWARDS.

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

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

(i) Notwithstanding any other provision of the Plan, no payment shall be made in respect of a Deferred Share Unit until after the earliest time of: (A) the Director’s death; or (B) the latest time that the Director ceases to be an employee, officer or director of the Company or any affiliate (within the meaning of that term in paragraph 8 of Interpretation Bulletin IT-337R4, *Retiring Allowances [Consolidated]* , or any successor publication thereto) of the Company (such time is referred to as the “ **Triggering Event** ”). All payments in respect of a Deferred Share Unit shall be made no later than December 31st of the year commencing immediately after the occurrence of the Triggering Event.

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

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

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

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

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

(f) No Additional Amounts. No Canadian Participant or any person who deals at non-arm's length, within the meaning of the Tax Act, with the Participant, shall be entitled, under the Plan or otherwise, either immediately or in the future, either absolutely or contingently, to receive or obtain any amount or benefit granted or to be granted for the purposes of reducing the impact, in whole or in part, of any reduction in the Fair Market Value of the Shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Transferability of Awards.

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

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

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

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

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

(j) Conditions to Issuance of Shares.

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

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

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

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

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

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

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

(ii) All Awards (including any proceeds, gains or other economic benefit actually or constructively received by the Participant upon any receipt or exercise of any Award or upon the receipt or resale of any Shares underlying the Award) shall be subject to the provisions of any claw-back policy implemented by the Company, including, without limitation, any claw-back policy adopted to comply with the requirements of Applicable Law, including without limitation the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, to the extent set forth in such claw-back policy and/or in the applicable Award Agreement.

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

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

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

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

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

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

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

(e) Payment of Performance-Based Awards. Unless otherwise provided in the applicable Program or Award Agreement and only to the extent otherwise permitted by Section 162(m) of the Code, as to an Award that is intended to qualify as Performance-Based Compensation, the US Participant must be employed by the Company or a Subsidiary throughout the Performance Period. Unless otherwise provided in the applicable Performance Goals, a Program or Award Agreement, or Section 4(g), a Participant shall be eligible to receive payment pursuant to such Awards for a Performance Period only if and to the extent the Performance Goals for such period are achieved.

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

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

(a) Performance Awards.

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

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

(b) Dividend Equivalents.

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

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

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

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

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

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

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

13. ADJUSTMENTS ON CERTAIN EVENTS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. TAX WITHHOLDING OBLIGATIONS.

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

15. AMENDMENT, TERMINATION OR SUSPENSION OF THE PLAN.

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

- (i) amendments for the purpose of curing any ambiguity, error or omission in the Plan or Award or to correct or supplement any provision of the Plan or Award that is inconsistent with any other provision of the Plan or Award;
- (ii) amendments necessary to comply with Applicable Law or the requirements of any stock exchange on which the Shares are listed;
- (iii) amendments to the Plan respecting administration of the Plan;
- (iv) amendments of a "housekeeping" nature;
- (v) changes to the terms and conditions on which Awards may be or have been granted pursuant to the Plan;
- (vi) amendments to the treatment of Awards on ceasing Continuous Status as an Employee, Director or Consultant;
- (vii) a change to the termination provisions of Awards which does not entail an extension beyond the original expiry date;
- (viii) any amendment to give effect to Section 13;
- (ix) any amendment to ensure that Awards granted under the Plan will comply with any provisions of the Code or the Tax Act respecting employee security based compensation arrangements; and

- (x) any amendment to an Award that is not exercisable into, settled with, or involve the issuance of, Shares.
- (b) Without approval of the Company's Shareholders, no action of the Administrator, or amendment or modification of the Plan may:
 - (i) increase the limits imposed in Section 3(a) on the maximum number of Shares which may be issued under the Plan,
 - (ii) reduce the price per share of any outstanding Option or Warrant granted under the Plan, reduce any purchase price for any other Award as set at the time of grant, or take any action prohibited under Section 10(l),
 - (iii) extend the term of any Award;
 - (iv) make any amendment to remove or exceed the Insider and Non-Employee Director Participation Limits;
 - (v) cancel any Option or Warrant in exchange for cash or another Award when the Option or Warrant price per share exceeds the Fair Market Value of the underlying Share;
 - (vi) make any amendment which would permit Awards granted under the Plan to be transferable or assignable other than for normal estate settlement purposes or as otherwise permitted in Section 10(i); or
 - (vii) amend Section 15(a) or Section 15(b).
- (c) Amendment of Awards. Subject to compliance with the rules of any stock exchange on which the Shares are listed, the Board may amend the terms of any Award previously granted, including any Award Agreement, retroactively or prospectively, but no such amendment shall materially impair the previously accrued rights of any Participant with respect to any such Award without his or her written consent. Except as provided in Section 10(k) and Section 18(h), no amendment, suspension or termination of the Plan shall, without the consent of the Participant, impair any rights or obligations under any Award theretofore granted or awarded, unless the Award itself otherwise expressly so provides.

16. COMPLIANCE WITH APPLICABLE SECURITIES LAWS

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

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

17. LIMITATION OF LIABILITY AND INDEMNIFICATION.

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

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

18. MISCELLANEOUS

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

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

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

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

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

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

(g) Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A of the Code, the Program pursuant to which such Award is granted and the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan, the Program and any Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may adopt such amendments to the Plan and the applicable Program and Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (i) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

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

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

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

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

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

WASTE CONNECTIONS, INC. 2016 INCENTIVE AWARD PLAN

PERFORMANCE-BASED RESTRICTED SHARE UNIT AWARD AGREEMENT
(WITH THREE-YEAR PERFORMANCE PERIOD)

Waste Connections, Inc., an Ontario corporation (the “Company”), has granted to Participant a Performance-Based Restricted Share Unit Award pursuant to the Waste Connections, Inc. 2016 Incentive Award Plan (as amended and/or restated from time to time, the “Plan”). Each Performance-Based Restricted Share Unit represents the right to receive a cash payment or its equivalent in common shares of the Company (“Shares”), subject to the terms of the Plan and this Award Agreement (which includes, for Participants who are US Participants, the additional terms and conditions provided under Exhibit A hereto). By electronically accepting this Award Agreement through his or her Shareworks account with Solium Capital, Participant is deemed to have accepted the terms and conditions of the Plan and this Award Agreement.

In the event of any conflict or inconsistency between the terms of the Plan and this Award Agreement, the terms of the Plan shall supersede and govern in all respects. Any capitalized terms not defined herein are defined in the Plan.

1. Grant Terms.

Participant Name: _____

Participant is a (check one box): US Participant ☐ or Canadian Participant ☐ or Both ☐

Award Date: _____

PBRSU Service Year (Canadian Participants only): _____

Target Number of Shares Subject to Award: _____ Shares

Performance Period: [Insert dates of three-year performance period.]

Performance Goal(s): The performance standard reviewed and approved by the Committee and reflected in the resolutions of the Committee.

Maturity Date: _____ (if left blank, the “maturity date” shall be the outer time limits prescribed by Section 8(b)(iii) of the Plan).

Determination Date: The date the Committee shall determine, in its sole discretion, whether the Performance Goal(s) have been achieved, such date being as soon as administratively practicable following the Performance Period after all necessary Company information is available and prior to the maturity date.

2. Vesting; Earned Award Units; Vested Award Units.

a. General Rule. Subject to the terms of the Plan and this Award Agreement, the Participant’s Restricted Share Units shall become vested subject to the achievement of the Performance Goal(s) by the Company over the Performance Period, as determined by the Committee on the Determination Date, subject to the Participant’s Continuous Status as an Employee, Director or Consultant through the Determination Date. If the Committee determines on the Determination Date that the Performance Goal(s) have been achieved, then such “Earned Award Units” shall vest on the Determination Date. The Restricted Share Units subject to the Award that have become vested are referred to as “Vested Award Units.”

Within 15 business days following the Determination Date, but in no event later than March 15th of the fiscal year following the end of the Performance Period (the “Settlement Date”), the Company shall notify the Participant of the number of Restricted Share Units, if any, that have become Vested Award Units and the corresponding number of Shares to be issued to the Participant in satisfaction of this Award. If the Restricted Share Units subject to the Award do not become Earned Award Units, the Participant will automatically forfeit any rights in the Award as of the Determination Date. Each Vested Award Unit shall be settled by delivering to the Participant one Share, subject to withholding as described below. The number of Restricted Share Units which may become Earned Award Units will be between 0% and []% of the Target Number of Shares depending on whether and to what extent the Performance Goals are achieved by the Company.

The Participant shall have no rights to dividends or other rights of a shareholder with respect to the Restricted Share Units unless and until such time as the award of Restricted Share Units has been settled by the issuance of Shares to the Participant. The Participant shall have the right to receive a cash dividend equivalent payment with respect to the Earned Award Units for cash dividends payable to holders of Shares as of a record date designated by the Company that is within the period beginning on the Award Date and ending on the Settlement Date, which dividend equivalent payment shall be payable to the Participant on the Settlement Date, without interest. In the event of forfeiture of the Restricted Share Units, the Participant shall have no further rights with respect to such Restricted Share Units.

b. Post-Employment Vesting. Should the Participant’s Continuous Status as an Employee, Director or Consultant cease for any reason prior to vesting in the Restricted Share Units subject to the Award, then the Award will be cancelled with respect to the unvested Shares and the number of Restricted Share Units will be reduced accordingly, and the Participant will cease to have any right or entitlement to receive any Shares or any other payment under those cancelled units.

Notwithstanding anything to the contrary in this Agreement, if the Participant’s Continuous Status as an Employee, Director or Consultant ceases (i) due to termination by the Company without Cause, (ii) to the extent permitted by the Participant’s Individual Agreement (defined below), due to resignation by the Participant for Good Reason (as defined in the Participant’s Individual Agreement), or (iii) due to termination by the Company due to the Participant’s Disability or death, then the number of Restricted Share Units earned shall be determined based on the deemed achievement of the target level for the Performance Goals and such Restricted Share Units shall become Vested Award Units as of the date the Participant’s Continuous Status ceases and be settled in accordance with Section 3 below.

For purposes of this Agreement, the Participant’s Continuous Status as an Employee, Director or Consultant shall be terminated for “Cause” if it is a termination for “Cause” pursuant to an employment or separation agreement between the Company and the Participant or a Company severance or separation plan applicable to the Participant (the “Individual Agreement”) to which the Participant is a party that is then in effect or, if there is no Individual Agreement in effect that defines “Cause,” “Cause” shall mean (a) a material breach by the Participant of any of the terms of the Individual Agreement, or any other agreement between the Company and the Participant, that is not immediately corrected following written notice of default specifying such breach; (b) conviction of a felony or indictable offense; (c) a breach of any non-competition or non-solicitation covenants in any agreement between the Company and the Participant; (d) repeated intoxication with alcohol or drugs while on Company premises during its regular business hours to such a degree that, in the reasonable judgment of the Chief Executive Officer or General Counsel of the Company, the Participant is abusive or incapable of performing his or her duties and responsibilities after being accommodated in accordance with applicable laws; or (e) misappropriation of property belonging to the Company and/or any of its affiliates. In addition, if the Participant is a party to an Individual Agreement that defines the term “Disability”, then such definition shall apply instead of the definition contained in the Plan.

3. **Settlement**. Any Vested Award Units shall be settled as soon as administratively practicable following the vesting of the applicable Vested Award Unit; and at all times prior to the applicable time period prescribed by the Plan. Unless otherwise directed by the Committee, all distributions shall be made by the Company in the form of whole Shares, and any fractional Share shall be applied to the payment of withholding taxes.

4. **Acknowledgement**. The Participant acknowledges that the Restricted Share Units and the Shares subject to the Restricted Share Units are subject to adjustment, modification and termination in certain events as provided in the Plan, including Section 13 of the Plan. The Participant has received and reviewed a copy of the Plan and agrees to be bound by the terms and conditions of the Plan.

5. **Additional Provisions**.

a. **Additional Terms**. The terms and conditions of this Award are governed by the Plan, and this Award is also subject to all interpretations, amendments, rules and regulations which may from time to time be adopted under the Plan.

b. **Entire Agreement**. The Award Agreement and the Plan constitute the entire agreement of the parties hereto with regard to the subject matter hereof. They supersede in their entirety all other prior undertakings, agreements, representations or understandings (whether oral or written and whether express or implied) of you and the Company which relate to the subject matter hereof; provided, however, that the provisions of the Plan shall continue to apply, and further provided that in case of inconsistencies or ambiguities, the provisions of the Plan shall prevail over the provisions of the Award Agreement. The invalidity or unenforceability of any provision of the Award Agreement shall not affect the validity or enforceability of any other provision of the Award Agreement. Notwithstanding the provisions of any Individual Agreement, (i) in the case of a conflict between the terms of the Participant's Individual Agreement and this Award Agreement, the terms of this Award Agreement shall govern, and (ii) the vesting and settlement of Restricted Share Units shall in all events occur in accordance with this Award Agreement to the exclusion of any provisions contained in an Individual Agreement regarding the vesting or settlement of the Restricted Share Units, and any such Individual Agreement provisions shall have no force or effect with respect to the Restricted Share Units.

c. **Agreement Severable**. In the event that any provision of the Award Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Award Agreement.

d. **Service Provider Relationship**. Nothing in the adoption of the Plan or the award of the Restricted Share Units thereunder pursuant to the Award Agreement shall confer any right on a Participant with respect to continuation of employment or a consulting or directorship arrangement with the Company or any Subsidiary, nor shall they interfere in any way with the right of the Company or any Subsidiary that employs such Participant or engages such Participant as a consultant or director to terminate the Participant's employment or consulting or directorship arrangement at any time, with or without cause.

e. **Governing Law**. The Award Agreement and the Plan shall be governed by and construed in accordance with the laws of the province of Ontario, except with respect to those provisions of the Award Agreement and the Plan concerning the Code, which shall be governed by and construed in accordance with the laws of the State of Delaware as superseded by applicable United States federal law.

f. **Electronic Delivery**. The Company may deliver any documents related to the Award granted under this Award Agreement and participation in the Plan by electronic means or to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan and sign the Award Agreement through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

g. **Amendment, Suspension and Termination**. To the extent permitted by the Plan, the Award Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, provided that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of the Award Agreement shall adversely affect the Restricted Share Units in any material way without your prior written or electronic consent.

h. **Notices**. Any notice or other communication to be given under or in connection with this Agreement or the Plan shall be given in writing and shall be deemed effectively given on receipt or, in the case of notices from the Company to you, five days after deposit in the United States mail, postage prepaid, addressed to you at the address on file with the Company or at such other address as you may hereafter designate by notice to the Company.

i. **Transferability**. Any attempt by you to transfer any interest in your Award or any underlying Shares in violation of the transferability provisions in the Plan shall be null and void and of no effect.

j. **Successors and Assigns**. The Company may assign any of its rights under this Award Agreement to single or multiple assignees, and the Award Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 5(i) of the Award Agreement and the Plan, the provisions of the Award Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and to the Participant, the Participant's executors, administrators, heirs, successors, representatives and assignees.

k. **Titles**. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Award Agreement.

l. **Data Privacy Waiver**. By accepting the grant of the Restricted Share Units, the Participant hereby agrees and consents to:

i. the collection, use, processing and transfer by the Company and its Subsidiaries (collectively, the "**Group**") of certain personal information about the Participant (the "**Data**");

ii. any members of the Group transferring Data amongst themselves for the purposes of implementing, administering and managing the Plan;

iii. the use of such Data by any such person for such purposes; and

iv. the transfer to and retention of such Data by third parties in connection with such purposes.

For the purposes of clause (i) above, “ Data ” means the Participant’s name, home address and telephone number, date of birth, other employee information, any tax or other identification number, details of all rights to acquire Shares granted to the Participant and of Shares issued or transferred to the Participant pursuant to the Plan.

WASTE CONNECTIONS, INC.

By: _____
Name: Ronald J. Mittelstaedt
Title: Chairman and Chief Executive Officer

EXHIBIT A

ADDITIONAL PROVISIONS FOR
PERFORMANCE-BASED RESTRICTED SHARE UNIT AWARD AGREEMENT
(WITH THREE-YEAR PERFORMANCE PERIOD)
FOR US PARTICIPANTS IN THE
WASTE CONNECTIONS, INC. 2016 INCENTIVE AWARD PLAN

The additional terms and conditions of this Exhibit A shall apply to the Performance-Based Restricted Share Unit Award for any Participant who is a US Participant.

1. Settlement of Awards. In no event shall the Company deliver the Vested Award Units to you later than March 15 of the calendar year following the end of the Performance Period. Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of Vested Award Units if it reasonably determines that such payment or distribution will violate federal securities laws or any other Applicable Law, provided that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), and provided further that no payment or distribution shall be delayed under this Section 1 if such delay will result in a violation of Section 409A of the Code.

2. Taxation and Withholding.

(A) Federal Income Tax. You generally will recognize ordinary income for federal income tax purposes on the date the Shares subject to your Award vest, and you must satisfy the income tax withholding obligation applicable to that income. The amount of your taxable income will generally be based on the closing selling price per common share on the New York Stock Exchange on the date your Vested Award Units are issued and distributed times the number of Shares which are distributed on that date. This is a general summary of the possible tax consequences of the Award and is not tax advice. You are advised to consult with your own advisor as to the possible tax consequences of this Award.

(B) FICA Taxes. You will be liable for the payment of the employee share of the FICA (Social Security and Medicare) taxes applicable to your Award, which liability will generally arise at the time your Award vests. FICA taxes will generally be based on the closing selling price of the shares on the New York Stock Exchange on the date those Shares vest under your Award.

(C) Withholding Taxes. You must pay all applicable federal, state and local income and employment withholding taxes when due.

i. In the Company's sole discretion, the Company may collect any applicable federal, state and local income and employment withholding taxes with respect to the Award through an automatic Share withholding procedure pursuant to which the Company will withhold a portion of those vested Shares with a fair market value (measured as of the date the withholding obligation arises) equal to the amount of such withholding taxes (the "Share Withholding Method"); provided, however, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the minimum statutory withholding rates for federal, state and local tax purposes, including payroll taxes, that are applicable to supplemental taxable income. You shall be notified in writing in the event such Share Withholding Method is no longer available.

ii. Should any Shares vest under the Award at a time when the Share Withholding Method is not available, then the Company may, in its sole discretion, collect any applicable federal, state and local income and employment withholding taxes from you through any of the following alternatives:

1. your delivery of a separate check payable to the Company in the amount of such withholding taxes, or

2. the use of the proceeds from a next-day sale of the Shares issued to you; provided and only if (i) such a sale is permissible under the Company's trading policies governing the sale of common shares, (ii) you make an irrevocable commitment, on or before the vesting date for those Shares, to effect such sale of the Shares, and (iii) the transaction is not otherwise deemed to constitute a prohibited loan under Section 402 of the Sarbanes-Oxley Act of 2002.

3. Claw-Back. Pursuant to its general authority to determine the terms and conditions applicable to the Restricted Share Units, the Committee shall have the right to require the Participant to agree by separate written or electronic instrument that the Units (including any proceeds, gains or other economic benefit actually or constructively received by the Participant upon any receipt of the Restricted Share Units or upon the receipt or resale of any Shares underlying the Restricted Share Units) shall be subject to the provisions of any claw-back policy implemented by the Company, including, without limitation, any claw-back policy adopted to comply with the requirements of Applicable Law, including without limitation the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, to the extent set forth in such claw-back policy.

4. Code Section 409A. This Award is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "Section 409A"). However, notwithstanding any other provision of the Plan or the Award Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify you or any other person for failure to do so) to adopt such amendments to the Plan or the Award Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A. Notwithstanding anything in this Award Agreement to the contrary, to the extent that any payment or benefit constitutes non-exempt "nonqualified deferred compensation" for purposes of Section 409A of the Code, and such payment or benefit would otherwise be payable or distributable hereunder by reason of the Participant's Termination of Employment, all references to the Participant's Termination of Employment shall be construed to mean a "separation from service," as defined in Treasury Regulation Section 1.409A-1(h) (a "Separation from Service"), and the Participant shall not be considered to have a Termination of Employment unless such termination constitutes a Separation from Service with respect to the Participant.

5. Employment Relationship. Unless otherwise provided in a written employment agreement or by applicable law, Participant's employment by the Company or any Subsidiary shall be on an at-will basis, and the employment relationship may be terminated at any time by either Participant or the Company or Subsidiary for any reason whatsoever, with or without cause. Any question as to whether and when there has been a Termination of Employment, and the cause of such termination, shall be determined by the Administrator, and its determination shall be final.

6. Conformity to Applicable Law. You acknowledge that the Plan, the Award Agreement and this Exhibit A are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Restricted Share Units are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Award Agreement and this Exhibit A shall be deemed amended to the extent necessary to conform to Applicable Law.

7. Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Award Agreement or this Exhibit A, if you are subject to Section 16 of the Exchange Act, the Plan, the Restricted Share Units, including Restricted Share Units resulting from dividend equivalent rights, and the Award Agreement and this Exhibit A shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, the Award Agreement and this Exhibit A shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

8. Additional Disclosure. Along with the Award Agreement, you also received a copy of the official prospectus summarizing the principal features of the Plan. Please review the plan prospectus carefully so that you fully understand your rights and benefits under your Award and the limitations, restrictions and vesting provisions applicable to the Award.

WASTE CONNECTIONS, INC. 2016 INCENTIVE AWARD PLAN

RESTRICTED SHARE UNIT AWARD AGREEMENT
(WITH ONE-YEAR PERFORMANCE PERIOD)

Waste Connections, Inc., an Ontario corporation (the “Company”), has granted to Participant (as designated below) a Restricted Share Unit Award pursuant to the Waste Connections, Inc. 2016 Incentive Award Plan (as amended and/or restated from time to time, the “Plan”). Each Restricted Share Unit represents the right to receive a cash payment or its equivalent in common shares of the Company (“Shares”), subject to the terms of the Plan and this Award Agreement (which includes, for Participants who are US Participants, the additional terms and conditions provided under Exhibit A hereto). By electronically accepting this Award Agreement through his or her Shareworks account with Solium Capital, Participant is deemed to have accepted the terms and conditions of the Plan and this Award Agreement.

In the event of any conflict or inconsistency between the terms of the Plan and this Award Agreement, the terms of the Plan shall supersede and govern in all respects. Any capitalized terms not defined herein are defined in the Plan.

1. Grant Terms.

Participant Name: _____

Participant is a (check one box) : US Participant ☐ or Canadian Participant ☐ or Both ☐

Award Date: _____

RSU Service Year (Canadian Participants only): _____

Shares Subject to Award: _____ Shares

Performance Period: [Insert dates of one-year performance period.]

Performance Goal(s): The performance standard reviewed and approved by the Committee and reflected in the resolutions of the Committee.

Maturity Date: _____ (if left blank, the “maturity date” shall be the outer time limits prescribed by Section 8(b)(iii) of the Plan).

Determination Date: The date the Committee shall determine, in its sole discretion, whether the Performance Goal(s) have been achieved, such date being as soon as administratively practicable following the Performance Period after all necessary Company information is available and prior to the maturity date.

2. Vesting; Earned Award Units; Vested Award Units. Subject to the terms of the Plan and this Award Agreement, the Participant’s Restricted Share Units shall become vested in a series of installments over the Participant’s period of continued service with the Company as set forth herein, subject to the achievement of the Performance Goal(s) over the Performance Period. If the Committee determines on the Determination Date that the Performance Goal has been achieved, then such “Earned Award Units” shall vest as follows:

[Insert vesting schedule]

The Restricted Share Units subject to the Award that have become vested are referred to as “ Vested Award Units .”

Following the Determination Date, the Company shall notify the Participant as to whether the Restricted Share Units subject to the Award have become Earned Award Units that may be satisfied in accordance with the Time-Vesting Schedule provided above. If the Restricted Share Units subject to the Award do not become Earned Award Units, the Participant will automatically forfeit any rights in the Award as of the Determination Date.

Should the Participant’s Continuous Status as an Employee, Director or Consultant cease for any reason prior to vesting in one or more installments of the Restricted Share Units subject to the Award, then the Award will be cancelled with respect to the unvested Shares and the number of Restricted Share Units will be reduced accordingly, and the Participant will cease to have any right or entitlement to receive any Shares or any other payment under those cancelled units.

Notwithstanding anything to the contrary in this Agreement, if the Participant’s Continuous Status as an Employee, Director or Consultant ceases (i) due to termination by the Company without Cause, (ii) to the extent permitted by the Participant’s Individual Agreement, due to resignation by the Participant for Good Reason, or (iii) due to termination by the Company due to the Participant’s Disability or death, then the number of Restricted Share Units earned shall be determined based on the deemed achievement of the target level for the Performance Goals and such Restricted Share Units shall become Vested Award Units as of the date the Participant’s Continuous Status ceases and be settled in accordance with Section 3 below. For purposes of this Agreement, (A) the term “ Individual Agreement ” shall mean any employment agreement, separation agreement, severance plan or separation pay program between the Participant and the Company, and (B) the definitions of “Cause”, “Disability”, and, to the extent applicable, “Good Reason” contained in the Individual Agreement shall be applied to this Agreement.

3. Settlement . Any Vested Award Units shall be settled as soon as administratively practicable following the vesting of the applicable Vested Award Unit; and at all times prior to the applicable time period prescribed by the Plan. Unless otherwise directed by the Committee, all distributions shall be made by the Company in the form of whole Shares, and any fractional Share shall be applied to the payment of withholding taxes.

4. Acknowledgement . The Participant acknowledges that the Restricted Share Units and the Shares subject to the Restricted Share Units are subject to adjustment, modification and termination in certain events as provided in the Plan, including Section 13 of the Plan. The Participant has received and reviewed a copy of the Plan and agrees to be bound by the terms and conditions of the Plan.

5. Additional Provisions .

a. Additional Terms . The terms and conditions of this Award are governed by the Plan, and this Award is also subject to all interpretations, amendments, rules and regulations which may from time to time be adopted under the Plan.

b. Entire Agreement . The Award Agreement and the Plan constitute the entire agreement of the parties hereto with regard to the subject matter hereof. They supersede in their entirety all other prior undertakings, agreements, representations or understandings (whether oral or written and whether express or implied) of you and the Company which relate to the subject matter hereof; provided, however, that the provisions of the Plan shall continue to apply, and further provided that in case of inconsistencies or ambiguities, the provisions of the Plan shall prevail over the provisions of the Award Agreement. The invalidity or unenforceability of any provision of the Award Agreement shall not affect the validity or enforceability of any other provision of the Award Agreement.

c. **Agreement Severable**. In the event that any provision of the Award Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Award Agreement.

d. **Service Provider Relationship**. Nothing in the adoption of the Plan or the award of the Restricted Share Units thereunder pursuant to the Award Agreement shall confer any right on a Participant with respect to continuation of employment or a consulting or directorship arrangement with the Company or any Subsidiary, nor shall they interfere in any way with the right of the Company or any Subsidiary that employs such Participant or engages such Participant as a consultant or director to terminate the Participant's employment or consulting or directorship arrangement at any time, with or without cause.

e. **Governing Law**. The Award Agreement and the Plan shall be governed by and construed in accordance with the laws of the province of Ontario, except with respect to those provisions of the Award Agreement and the Plan concerning the Code, which shall be governed by and construed in accordance with the laws of the State of Delaware as superseded by applicable United States federal law.

f. **Electronic Delivery**. The Company may deliver any documents related to the Award granted under this Award Agreement and participation in the Plan by electronic means or to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan and sign the Award Agreement through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

g. **Amendment, Suspension and Termination**. To the extent permitted by the Plan, the Award Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, provided that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of the Award Agreement shall adversely affect the Restricted Share Units in any material way without your prior written or electronic consent.

h. **Notices**. Any notice or other communication to be given under or in connection with this Agreement or the Plan shall be given in writing and shall be deemed effectively given on receipt or, in the case of notices from the Company to you, five days after deposit in the United States mail, postage prepaid, addressed to you at the address on file with the Company or at such other address as you may hereafter designate by notice to the Company.

i. **Transferability**. Any attempt by you to transfer any interest in your Award or any underlying Shares in violation of the transferability provisions in the Plan shall be null and void and of no effect.

j. **Successors and Assigns**. The Company may assign any of its rights under this Award Agreement to single or multiple assignees, and the Award Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 5(i) of the Award Agreement and the Plan, the provisions of the Award Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and to the Participant, the Participant's executors, administrators, heirs, successors, representatives and assignees.

Agreement. **k. Titles**. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Award

l. Data Privacy Waiver. By accepting the grant of the Restricted Share Units, the Participant hereby agrees and consents to:

i. the collection, use, processing and transfer by the Company and its Subsidiaries (collectively, the “ Group ”) of certain personal information about the Participant (the “ Data ”);

ii. any members of the Group transferring Data amongst themselves for the purposes of implementing, administering and managing the Plan;

iii. the use of such Data by any such person for such purposes; and

iv. the transfer to and retention of such Data by third parties in connection with such purposes.

For the purposes of clause (i) above, “ Data ” means the Participant’s name, home address and telephone number, date of birth, other employee information, any tax or other identification number, details of all rights to acquire Shares granted to the Participant and of Shares issued or transferred to the Participant pursuant to the Plan.

WASTE CONNECTIONS, INC.

By: _____

Name: Ronald J. Mittelstaedt

Title: Chairman and Chief Executive Officer

EXHIBIT A

ADDITIONAL PROVISIONS FOR
RESTRICTED SHARE UNIT AWARD AGREEMENT
(WITH ONE-YEAR PERFORMANCE PERIOD)
FOR US PARTICIPANTS IN THE
WASTE CONNECTIONS, INC. 2016 INCENTIVE AWARD PLAN

The additional terms and conditions of this Exhibit A shall apply to the Restricted Share Unit Award for any Participant who is a US Participant.

1. Settlement of Awards. In no event shall the Company deliver (i) the first installment of the Vested Award Units to you later than March 15 of the calendar year following the end of the Performance Period, or (ii) the remaining installments of the Vested Award Units to you later than March 15 of the calendar year following the calendar year in which the respective portion of the Vested Award Units vest. Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of Vested Award Units if it reasonably determines that such payment or distribution will violate federal securities laws or any other Applicable Law, provided that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), and provided further that no payment or distribution shall be delayed under this Section 1 if such delay will result in a violation of Section 409A of the Code.

2. Taxation and Withholding.

(A) Federal Income Tax. You generally will recognize ordinary income for federal income tax purposes on the date the Shares subject to your Award vest, and you must satisfy the income tax withholding obligation applicable to that income. The amount of your taxable income will generally be based on the closing selling price per common share on the New York Stock Exchange on the date your Vested Award Units are issued and distributed times the number of Shares which are distributed on that date. This is a general summary of the possible tax consequences of the Award and is not tax advice. You are advised to consult with your own advisor as to the possible tax consequences of this Award.

(B) FICA Taxes. You will be liable for the payment of the employee share of the FICA (Social Security and Medicare) taxes applicable to your Award, which liability will generally arise at the time your Award vests. FICA taxes will generally be based on the closing selling price of the shares on the New York Stock Exchange on the date those Shares vest under your Award.

(C) Withholding Taxes. You must pay all applicable federal, state and local income and employment withholding taxes when due.

i. In the Company's sole discretion, the Company may collect any applicable federal, state and local income and employment withholding taxes with respect to the Award through an automatic Share withholding procedure pursuant to which the Company will withhold a portion of those vested Shares with a fair market value (measured as of the date the withholding obligation arises) equal to the amount of such withholding taxes (the "Share Withholding Method"); provided, however, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the minimum statutory withholding rates for federal, state and local tax purposes, including payroll taxes, that are applicable to supplemental taxable income. You shall be notified in writing in the event such Share Withholding Method is no longer available.

ii. Should any Shares vest under the Award at a time when the Share Withholding Method is not available, then the Company may, in its sole discretion, collect any applicable federal, state and local income and employment withholding taxes from you through any of the following alternatives:

1. your delivery of a separate check payable to the Company in the amount of such withholding taxes, or

2. the use of the proceeds from a next-day sale of the Shares issued to you; provided and only if (i) such a sale is permissible under the Company's trading policies governing the sale of common shares, (ii) you make an irrevocable commitment, on or before the vesting date for those Shares, to effect such sale of the Shares, and (iii) the transaction is not otherwise deemed to constitute a prohibited loan under Section 402 of the Sarbanes-Oxley Act of 2002.

3. Claw-Back. Pursuant to its general authority to determine the terms and conditions applicable to the Restricted Share Units, the Committee shall have the right to require the Participant to agree by separate written or electronic instrument that the Units (including any proceeds, gains or other economic benefit actually or constructively received by the Participant upon any receipt of the Restricted Share Units or upon the receipt or resale of any Shares underlying the Restricted Share Units) shall be subject to the provisions of any claw-back policy implemented by the Company, including, without limitation, any claw-back policy adopted to comply with the requirements of Applicable Law, including without limitation the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, to the extent set forth in such claw-back policy.

4. Code Section 409A. This Award is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "Section 409A"). However, notwithstanding any other provision of the Plan or the Award Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify you or any other person for failure to do so) to adopt such amendments to the Plan or the Award Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A. Notwithstanding anything in this Award Agreement to the contrary, to the extent that any payment or benefit constitutes non-exempt "nonqualified deferred compensation" for purposes of Section 409A of the Code, and such payment or benefit would otherwise be payable or distributable hereunder by reason of the Participant's Termination of Employment, all references to the Participant's Termination of Employment shall be construed to mean a "separation from service," as defined in Treasury Regulation Section 1.409A-1(h) (a "Separation from Service"), and the Participant shall not be considered to have a Termination of Employment unless such termination constitutes a Separation from Service with respect to the Participant.

5. Employment Relationship. Unless otherwise provided in a written employment agreement or by applicable law, Participant's employment by the Company or any Subsidiary shall be on an at-will basis, and the employment relationship may be terminated at any time by either Participant or the Company or Subsidiary for any reason whatsoever, with or without cause. Any question as to whether and when there has been a Termination of Employment, and the cause of such termination, shall be determined by the Administrator, and its determination shall be final.

6. Conformity to Applicable Law. You acknowledge that the Plan, the Award Agreement and this Exhibit A are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Restricted Share Units are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Award Agreement and this Exhibit A shall be deemed amended to the extent necessary to conform to Applicable Law.

7. Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Award Agreement or this Exhibit A, if you are subject to Section 16 of the Exchange Act, the Plan, the Restricted Share Units, including Restricted Share Units resulting from dividend equivalent rights, and the Award Agreement and this Exhibit A shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, the Award Agreement and this Exhibit A shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

8. Additional Disclosure. Along with the Award Agreement, you also received a copy of the official prospectus summarizing the principal features of the Plan. Please review the plan prospectus carefully so that you fully understand your rights and benefits under your Award and the limitations, restrictions and vesting provisions applicable to the Award.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a) OR RULE 15d-14(a) AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ronald J. Mittelstaedt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Waste Connections, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2018

/s/ Ronald J. Mittelstaedt

Ronald J. Mittelstaedt

Chairman and Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a) OR RULE 15d-14(a) AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mary Anne Whitney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Waste Connections, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2018

/s/ Mary Anne Whitney

Mary Anne Whitney

Senior Vice President and Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

I, Ronald J. Mittelstaedt, being the duly elected and acting Chief Executive Officer of Waste Connections, Inc., a corporation organized under the laws of Ontario, Canada (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2018 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2018

By: /s/ Ronald J. Mittelstaedt
Ronald J. Mittelstaedt
Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be deemed to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, except to the extent that the Company specifically incorporates it by reference.

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

I, Mary Anne Whitney, being the duly elected and acting Chief Financial Officer of Waste Connections, Inc., a corporation organized under the laws of Ontario, Canada (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2018 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2018

By: /s/ Mary Anne Whitney
Mary Anne Whitney
Senior Vice President and
Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be deemed to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, except to the extent that the Company specifically incorporates it by reference.
