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Due diligence assistance

Deal Advisory

—

December 2, 2019

This document is submitted as a DRAFT for your review. In addition, the document is presently under review within KPMG LLP ("KPMG"). During this internal review process, KPMG will revisit the assumptions upon which our conclusions are based and submit the document for comment to at least one qualified reader not involved in its creation. This process is intended to ensure that the final product fully meets your requirements and our own standards. KPMG authorizes NO use of our reference to the figures, conclusions or information contained in the document until you have ascertained that the facts we present in the document are correct and we have completed our internal review process.

Important notice

This report is provided to GFL Environmental Inc. ("Client") on a confidential basis pursuant to our engagement letter dated August 13, 2019 ("Engagement Agreement") and is subject in all respects to the terms and conditions of the Engagement Agreement, including restrictions on use of this report by third parties.

If this report is received by any party other than Client, the recipient is placed on notice that this report has been prepared solely for Client's benefit and its own use. KPMG LLP ("KPMG") does not authorize recipient or any other party to rely on this report and any such reliance shall be at recipient's sole risk. Therefore, KPMG shall have no liability or responsibility in respect of the advice, recommendations, or other information in this report to recipient or any other party other than the Client. Further, this report and its contents may not be shared with or disclosed by the recipient to any party without the express written consent of the Client and KPMG.

In preparing our report, our primary source has been Company's internal management information and representations made to us by the Company. We do not accept responsibility for such information which remains the responsibility of Management and we have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work in accordance with the terms of our Engagement Agreement. We have not, however, sought to establish the reliability of the sources by reference to other evidence.

This engagement is not an assurance engagement conducted in accordance with any generally accepted assurance standards and consequently no assurance opinion is expressed.

The quality of earnings and working capital analysis is for indicative purposes only. We have sought to illustrate the effect on EBITDA and working capital by adjusting for those items identified in the course of our work that may be considered to be 'non-recurring' or 'exceptional'. However the selection and quantification of such adjustments is necessarily judgmental. Because there is no authoritative literature or common standard with respect to the calculation of 'underlying' earnings and working capital, there is no basis to state whether all appropriate and comparable adjustments have been made. In addition, while the adjustments may indeed relate to items which are 'non-recurring' or 'exceptional' or otherwise unrepresentative of the trend, it is possible that earnings and working capital trends for future periods may be affected by such items, which may be different from the historical items.

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Private and confidential

Mr. Craig Orenstein
GFL Environmental Inc.
100 New Park Place #500
Vaughan, ON L4K 0H9

December 2, 2019

Dear Mr. Orenstein

We have completed our procedures to assist GFL Environmental Inc. ("Client", "GFL", or "you") in performing financial due diligence in connection with your prospective investment (the "Transaction") in American Waste, Inc. and its subsidiaries and related entities (collectively, the "Company" or "Target"), in accordance with the terms of our engagement letter dated August 13, 2019, including its Terms and Conditions for Advisory and Tax Services.

Objective

The objective of our engagement was to assist you with your assessment of the risks and opportunities of your prospective acquisition of Target. Our work in this report was based on information provided by you and obtained in an electronic data room and discussions/meetings with Target Management and its advisors. The primary scope of our engagement was to make inquiries and perform analyses based on information made available to us, directed toward those business activities and related financial data of interest to you.

Basis of Information

The engagement letter describes the procedures we were to perform and are attached herein in Appendix 1. Those procedures were selected by you and were limited in nature and extent to those that you determined best fit your needs. We make no representation regarding the sufficiency for your purposes of the procedures selected, and those procedures will not necessarily disclose all significant matters about Target or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. This report was prepared by us on the basis that you provided us with all relevant information you received concerning Target.

The procedures we performed do not constitute an audit, examination or review in accordance with standards established by the Auditing and Assurance Standards Board ("AASB") in Canada, and we have not otherwise verified the information we obtained or presented in this report. We express no opinion or any other form of assurance on Target's internal control over financial reporting or on the information presented in our report, and make no representations concerning its accuracy or completeness.

We have not compiled, examined, or applied other procedures in accordance with the Assurance and Related Services Guidelines issued by the AASB to prospective information contained in this document and, accordingly, express no opinion or any other form of assurance or representations concerning the accuracy, completeness or presentation format of such prospective information. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The data included in this report was obtained from you and/or Target from August 13, 2019 to November 21, 2019, inclusive. Since many aspects of the transaction with Target have either not been finalized or are not yet documented, changes may occur that materially affect the financial and other information we received and reported to you. We have no obligation to update our report or to revise the information contained herein to reflect events and transactions occurring subsequent to November 21, 2019. We have not reviewed this report with Target Management for the purpose of confirming the factual accuracy of the information we presented.

Because of its special nature, this report is not suited for any purpose other than to assist Client in its evaluation of Target and, as such and as agreed in the engagement letter, is restricted for your internal use only. Accordingly, KPMG does not accept any liability or responsibility to any third party who may use or place reliance on our report.

Yours truly,

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Contents

	Page
Overview	5
Executive summary	8
Quality of earnings	12
Balance sheet, net working capital	25
Net debt	32
Appendix	35

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Overview

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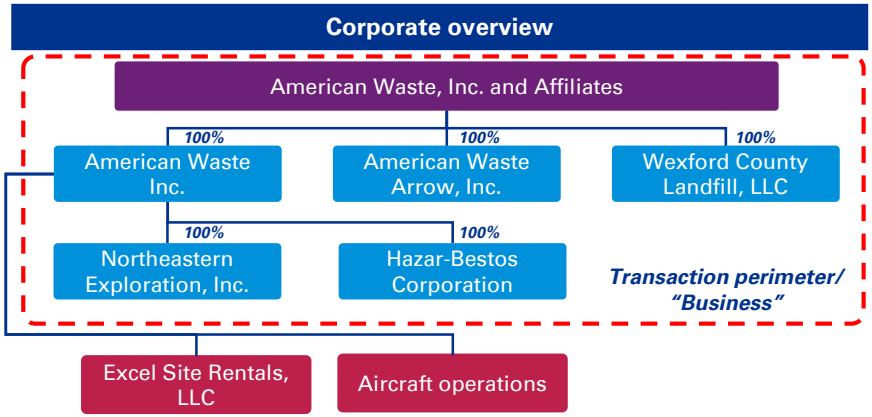
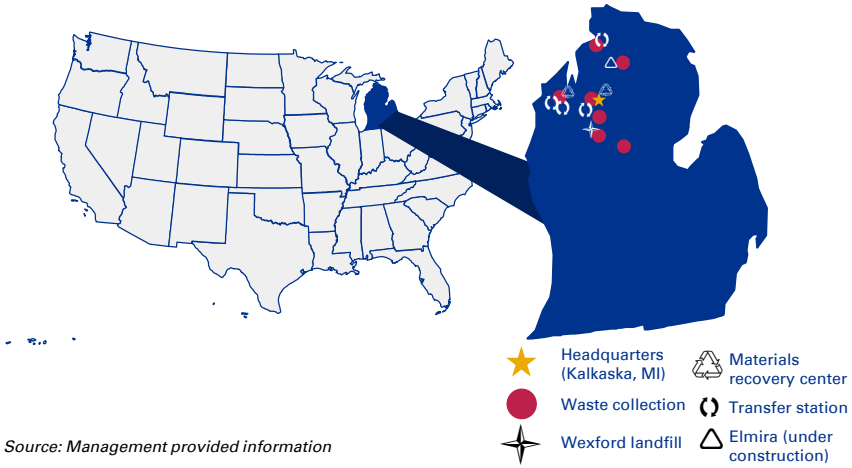
Business overview



Source: Management provided information, KPMG analysis
Note: The results of American Waste Inc. include the Aircraft operations and the Excel Site Rentals, LLC (50% equity ownership) entity, both of which are excluded from the transaction perimeter.



Source: Management provided information

Business overview

- American Waste, Inc. and Affiliates (the "Company") is comprised of a vertically integrated solid waste business ("American Waste") and an environmental and industrial services business ("Northern A-1"):
  - American Waste provides collection, processing, disposal, and recycling of solid waste in Northern Michigan to 100,000+ residential and commercial customers.
  - Northern A-1 offers environmental and waste disposal solutions to industrial markets across 20 states with nine strategically located injection wells.
- The Company was founded as American Waste in 2002 and merged with the previously founded Northern A-1 in 2003. In 2010, the Company acquired Northeastern Exploration ("NEE"), which provides a class I injection well, and acquired Hazar-Bestos Corporation ("HBC") in 2018, which provides asbestos remediation capabilities.

Information and access

- The findings presented in this report are based on the following key sources of information:
  - **Data room access:** Key information provided by Management and the Company's VDD advisors (Rehmann LLC) in an electronic data room; and
  - **Discussions:** Primarily held with Management, including Mike Ascione (CEO) and Eddie Ascione (COO), and the VDD advisors.

Transaction overview

- It is our understanding that GFL Environmental Inc. is evaluating the acquisition of American Waste, Inc., excluding Aircraft operations and the Excel Site Rentals, LLC (50% equity ownership) entity, referred to as the transaction perimeter or the "Business".

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Summary reported financial statements

The adjacent financial statements represent the results of the Business, based on internal trial balances provided by Management.

The Company operates with a December 31st fiscal year-end, and the 2017 financial statements were reviewed and 2018 were audited by Rehmann LLC.

Refer to Appendix 2 for a reconciliation of Management accounts and annual financial statements.

See Quality of Earnings section for adjustment considerations.

Refer to Appendix 6 for an illustrative summary of performance by operating division.

Income statement - Business

	Unaudited		
$'000	FY17	FY18	TTM Jun-19
Revenue	93,594	104,690	110,460
Direct costs	(57,424)	(71,698)	(72,738)
Indirect costs	(9,623)	(12,564)	(12,586)
Gross profit	**26,547**	**20,428**	**25,136**
General & administrative costs	(14,729)	(5,095)	(5,074)
Other income & other expense	(368)	34	178
Net Income	**11,450**	**15,367**	**20,240**
EBITDA calculation:			
Monthly depreciation expense	10,778	11,362	11,060
Depreciation - airspace	140	362	416
Depreciation expense	1,549	1,509	1,349
Amortization Expense	124	137	223
Loan interest	879	878	905
EBITDA, before reporting adjustments	**24,920**	**29,615**	**34,193**

Source: Management's internal trial balances, information provided by Management

Basis of Presentation

- *The above tables reflect the financial results of the Business for FY17, FY18 and TTM Jun-19, however includes the operating results of the Company's Aircraft operations. Detailed financial statements for Aircraft were not provided, however the Quality of Earnings analysis reflects the exclusion of Aircraft EBITDA as provided by the Company's advisors. Refer to Appendix 3 and 4 for further detail.*
- *The Company's reporting and functional currency is USD and all figures are denominated in USD. The financial statements are prepared in accordance with US GAAP.*
- *Refer to Appendix 2 for the reconciliation of the Company's results to the reviewed/audited financial statements and VDD report. Note:*
  - *2017 financial statements are reviewed; and*
  - *2018 financial statements are audited.*

Balance sheet - Business

	Unaudited	
	As at	
$'000	31-Dec-18	30-Jun-19
Assets		
Cash	(460)	1,430
Accounts receivable, net	10,762	13,603
Prepaid expenses	2,955	1,831
Inventory	44	88
Due from related parties	4,873	5,734
Employee loans	103	95
Current assets	18,277	22,781
Property and equipment, net	62,626	64,247
Note receivable - shareholder	2,907	2,782
Note receivable - other	229	229
Other current assets	9	9
Hazar-Bestos corp purchase	1,519	1,519
NE investment	6,000	6,000
Investment in unconsolidated affiliate	3,538	3,413
Intangibles, net	9,654	9,568
Other assets	23,855	23,519
Assets	**104,758**	**110,547**
Liabilities and shareholders' equity		
Accounts payable	(5,767)	(7,364)
Deferred revenue	(8)	(8)
Other current liabilities	(35)	(59)
Accrued expenses	(2,328)	(2,394)
Due to related parties	(3,810)	(1,887)
Current portion of long-term notes payable	(4,680)	(4,680)
Current liabilities	(16,628)	(16,392)
Line of Credit	(1,800)	(3,410)
Notes payable, net of current portion	(4,608)	(9,136)
Capital lease obligations, net of current portion	(7,484)	(6,013)
Landfill retirement obligation	(6,296)	(6,454)
Long-term debt	(20,188)	(25,012)
Liabilities	**(36,816)**	**(41,405)**
Equity	(67,943)	(69,142)
Liabilities and shareholders' equity	**(104,758)**	**(110,547)**

Source: Management's internal trial balances, information provided by Management

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Executive summary

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Key findings

Issue	Summary observations	Key analysis
Quality of earnings, potentially adjusted TTM Jun-19 reported EBITDA of the Business was $34.4 million and increased to $38.8 million subsequent to VDD adjustments. EBITDA declined to $37.9 million after potential adjustments. EBITDA, potentially adjusted reflects Client's internal accounting policies of capitalizing operating leases as under IFRS 16. However, it is our understanding for purposes of valuation, the operating lease obligation would not be considered a debt-like item.	■ The table below summarizes reported VDD and potentially adjusted EBITDA for FY17, FY18 and TTM Jun-19:	Pages 12 to 24

Quality of earnings - Business

$'000	FY17	FY18	TTM Jun-19
EBITDA, reported	**27,000**	**29,903**	**34,379**
EBITDA margin, reported	*28.4%*	*28.6%*	*31.1%*
VDD adjustments	3,647	4,015	4,431
EBITDA, VDD adjusted	**30,647**	**33,918**	**38,810**
EBITDA margin, VDD adjusted	*32.2%*	*32.4%*	*35.1%*
Potential adjustments	1,386	(534)	(903)
EBITDA, potentially adjusted	**32,033**	**33,383**	**37,907**
EBITDA margin, potentially adjusted	*33.6%*	*31.9%*	*34.5%*

Source: Management provided information, KPMG analysis

- VDD adjustments to TTM Jun-19 EBITDA include:
  - **Captive insurance (increase of $1.2 million):** Removes costs associated with optional discretionary insurance coverage purchased by the Company starting in FY18.
  - **Leachate disposal costs (increase of $1.1 million):** Represents an adjustment to add back historical disposal and hauling costs that will no longer be incurred due to an investment in a self-contained leachate disposal equipment and process.
  - **Closing of branches (increase of $0.7 million):** Represents run rate savings in FY18 and TTM Jun-19 from consolidating branches in Charlevoix and Gaylord.
  - **Wexford costs (increase of $0.5 million):** Represents costs related to development of the leachate disposal well that were expensed as opposed to capitalized. Subsequent to further inquiry, Management noted this adjustment was no longer valid and was reversed in potential adjustments.
- Potential adjustments identified during diligence, and the TTM Jun-19 EBITDA impact include:
  - **Containers (increase of $1.6 million):** Adjusts for $1.2 million, $1.5 million and $1.6 million in container additions that were expensed vs. capitalized in FY17, FY18 and TTM Jun-19 respectively.
  - **Gain/loss on sale of assets (decrease of $1.1 million):** Removes non-operational gains and losses from the sale of fixed assets (i.e. service vehicles) from EBITDA.
  - **Wexford landfill recapture mechanism (decrease of $0.5 million):** Removes out-of-period costs associated with an over accrual of expenses in FY16 through FY18 related to the perpetual care fund for Wexford landfill's post closure responsibilities.
  - **Reversal of Wexford costs (decrease of $0.5 million):** Reversal of adjustment above.
  - **Closing of branches – partial reversal (decrease of $0.5 million):** Reverses the VDD adjustment and proposes an alternative calculation to Management's estimated run rate savings for consolidating the Charlevoix and Gaylord branches. This adjustment captures an estimated amount of payroll and facility expense savings net of lease expense for the new Elmira facility. We note that there are other potential savings and costs, which are detailed in the other considerations section.

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Key findings

Issue	Summary observations	Key analysis
Net working capital, potentially adjusted Average TTM Jun-19 net working capital after reporting adjustments was approximately $5.5 million. Subsequent to potential adjustments, the average net working capital increased to $7.4 million. It is our understanding that the net working capital peg was negotiated at $7.0 million, and the closing net working capital calculation includes cash, which differs from the peg.	■ The table below summarizes the average reported and adjusted working capital during FY18 and TTM Jun-19:	Pages 25 to 31

Net working capital - Summary

	As at		Average	
$'000	**31-Dec-18**	**30-Jun-19**	**FY18**	**TTM Jun-19**
Net working capital, combined	**5,631**	**5,705**	**4,633**	**5,616**
Reporting adjustments	(957)	-	(80)	(80)
Net working capital, reported	**4,674**	**5,705**	**4,553**	**5,536**
Potential adjustments	2,970	4,031	1,692	1,902
Net working capital, potentially adjusted	**7,645**	**9,736**	**6,245**	**7,438**
TTM adjusted net sales	104,512	109,953	100,973	105,180
Adjusted WC, as a % of net sales	*7.3%*	*8.9%*	*6.0%*	*6.8%*

Source: Management provided information; KPMG analysis.

- Average potentially adjusted net working capital increased from $6.2 million in FY18 to $7.4 million in TTM Jun-19. The increase is primarily driven by growth in average accounts receivables, which is consistent with the growth in the business.
- Potential adjustments identified during diligence, and their TTM Jun-19 NWC impact, include:
  - **Removal of outstanding checks from AP (increase of $1 million):** Removes outstanding checks from accounts payable and records them as a reduction of cash.
  - **Captive insurance prepaid (reduction of $0.6 million):** Removes the prepaid expenses associated with optional discretionary insurance that is not required going forward.
  - **Capex in AP (increase of $0.5 million):** Removes accounts payable related to capital expenditures from net working capital, which are considered non-operational in nature.
- The working capital analysis presented herein excludes cash. However, it is our understanding that for purposes of the transaction, cash will be included within working capital as at the closing date (i.e. to be captured as part of the purchase price adjustment).
- Refer to page 31 for other net working capital considerations.

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Key findings

Issue	Summary observations	Key analysis
Financial reporting	■ The Company's finance and accounting team is comprised of two assistant controllers and a cost analyst, with several accounting clerks supporting bookkeeping, accounts payable, accounts receivable, and payroll processing. ■ The Company's finance department historically included an experienced controller. Management has not replaced the controller upon his retirement in April 2019. ■ Historically, the Company has hired Rehmann for year-end tax reporting, compilation and review engagements for FY16 and FY17, compilation and (first time) financial statement audit for FY18. ■ The Company has utilized Rehmann for year-end closing procedures. These include accrual entries that are only performed at year-end (e.g. allowance for doubtful accounts, accrued vacation, etc.) and intercompany eliminations, which are performed at year-end on a summary basis. ■ It is our understanding that Bank reconciliations were not performed during the historical period. ■ The Company has a targeted monthly financial close by the 15th with internal financials prepared by the 20th of each month. ■ The Company uses Encore and Viewpoint accounting systems. Encore supports billing, scale operations, routing, dispatching, paperless routes, online payments and route performance for the solid waste operations. Viewpoint, (formerly known as Spectrum) is the primary ERP software which supports all accounting processes. Management does not track pricing and volume information with exception to Traverse City MRF. ■ We have noted reconciling differences throughout the financial information provided, as detailed in the supporting analysis and Appendices to this report. We note the following other key limitations in information/scope as at the date of this report, including: – Entity elimination entries on a monthly basis for the historical period, at the detailed trial balance level. We have received elimination entries as at 31-Dec-17 and 31-Dec-18 at a summary/grouped account level; – Reclassification entries on a monthly basis for the historical period. We have received reclassification entries as at 31-Dec-17 and 31-Dec-18; – We have received details of related party balances within net working capital accounts for the historical period, but cannot confirm we have been provided all related party balances on a monthly basis for each entity; – 2019 forecast/budget, as the Company does not prepare annual budgets/forecasts; – Explanations for variances between the entity P&Ls and the operating division P&Ls. Management represented the variances are due to adjustments not factored into in the operating division P&Ls.	n/a

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Quality of earnings

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Quality of earnings (1) - Overview

Reported EBITDA of $34.4 million in TTM Jun-19 increases to $38.8 million subsequent to VDD adjustments.

Potential adjustments identified during due diligence decreases VDD adjusted EBITDA to $37.9 million.

Refer to the following pages for additional information on each adjustment.

Certain other items which are not quantifiable and may impact historical and future EBITDA were identified during due diligence. See 'Other considerations' for further discussion.

Quality of earnings - Business

$'000	FY17	FY18	TTM Jun-19
Net sales, reported	**95,083**	**104,680**	**110,436**
Potential adjustments	161	(168)	(483)
Net sales, potentially adjusted	**95,243**	**104,512**	**109,953**
EBITDA, reported	**27,000**	**29,903**	**34,379**
EBITDA margin, reported	*28.4%*	*28.6%*	*31.1%*
VDD adjustments	3,647	4,015	4,431
EBITDA, VDD adjusted	**30,647**	**33,918**	**38,810**
EBITDA margin, VDD adjusted	*32.2%*	*32.4%*	*35.1%*
Potential adjustments	1,386	(534)	(903)
EBITDA, potentially adjusted	**32,033**	**33,383**	**37,907**
EBITDA margin, potentially adjusted	*33.6%*	*31.9%*	*34.5%*

Source: Management provided information; KPMG analysis.

Basis of Presentation

The quality of earnings schedule above illustrates normalizations to EBITDA and other factors to be considered which were identified for the fiscal years ended December 31, 2017, 2018 and trailing twelve months ended June 30, 2019.

The proposed normalizations are not necessarily all-inclusive and are based on information provided by Management to date. Further analysis and access to additional information could uncover additional or different proposed normalizations.

Overview

- The quality of earnings analysis is prepared based on the following sources of information:
  - Monthly trial balances, audited / reviewed financial statements, additional supporting information and discussions held with Company Management and VDD advisors.
- The nature of adjustments included in the quality of earnings analysis are as follows:
  - **EBITDA, reported:** Represents the reported EBITDA of the Business as presented in the VDD quality of earnings report. Refer to Appendix 4 for the combined to reported EBITDA bridge.
  - **VDD adjustments:** Normalization adjustments to reported EBITDA identified by the VDD advisors;
  - **Potential adjustments:** Non-recurring and other items identified during due diligence to reflect the underlying revenue and earnings of the Business;
  - **Other considerations**: Includes other considerations identified during due diligence that may be subjective in nature.

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Quality of earnings (2) - VDD adjustments

Quality of earnings - Business				
$'000		FY17	FY18	TTM Jun-19
Net sales, reported		**95,083**	**104,680**	**110,436**
Potential adjustments		161	(168)	(483)
Net sales, potentially adjusted		**95,243**	**104,512**	**109,953**
EBITDA, reported		**27,000**	**29,903**	**34,379**
EBITDA margin, reported		*28.4%*	*28.6%*	*31.1%*
VDD adjustments				
1	Captive insurance	-	1,118	1,201
2	Leachate disposal costs	862	1,056	1,122
3	Closing of branches	-	650	650
4	Wexford costs	-	525	525
5	One time expenses	66	178	328
6	Labor adjustments	168	180	215
7	Personal expenses	205	201	191
8	Officer compensation expense	2,326	55	187
9	Life insurance	21	22	12
10	Hazar-Bestos profits annualized	-	30	-
VDD adjustments		3,647	4,015	4,431
EBITDA, VDD adjusted		**30,647**	**33,918**	**38,810**
EBITDA margin, VDD adjusted		*32.2%*	*32.4%*	*35.1%*
Potential adjustments		1,386	(534)	(903)
EBITDA, potentially adjusted		**32,033**	**33,383**	**37,907**
EBITDA margin, potentially adjusted		*33.6%*	*31.9%*	*34.5%*

Source: Management provided information; KPMG analysis.

VDD adjustments

- The adjacent table presents Management's potential adjustments as detailed in the VDD report.

1. **Captive insurance:** This adjustment adds back optional uninsurable coverage purchased by the Company starting FY18 as Management represented that it is discretionary and not required of the buyer. The amount of the adjustment agreed to GL detail. Based on detailed information provided by Management, total premiums approximated $968,000 for FY18 and $1,076,000 for TTM Jun-19. The expense also included approximately $40,000 related to tax assessments related to the captive insurance.

   Note: it is our understanding that Client engaged a third party provider to assess the adequacy of the insurance coverage.

2. **Leachate disposal costs:** In FY18, the Company invested in a self-contained leachate disposal well. This initiative replaced the old disposal process, which entailed transporting the leachate to an off-site waste water treatment plant or injection well. This adjustment adds back the historical disposal and hauling costs, which are not expected to be incurred as a result of the new investment.

Leachate disposal costs			
$'000	FY17	FY18	TTM Jun-19
City of Cadillac			
Gallons	12,690	13,161	13,066
Disposal fees	415	465	485
Transportation @ .025 per/gal	317	329	327
City of Cadillac	732	794	812
Miller well disposal			
Gallons	1,300	2,620	3,184
Disposal fees @.035	46	92	111
Transportation @ .065 per/gal	85	170	207
Miller well disposal	130	262	318
Total leachate disposal costs	**862**	**1,056**	**1,130**
Per VDD foundation worksheet	862	1,056	1,122

Source: Management provided information; KPMG analysis.

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Quality of earnings (3) - VDD adjustments

Quality of earnings - Business			
$'000	FY17	FY18	TTM Jun-19
Net sales, reported	**95,083**	**104,680**	**110,436**
Potential adjustments	161	(168)	(483)
Net sales, potentially adjusted	**95,243**	**104,512**	**109,953**
EBITDA, reported	**27,000**	**29,903**	**34,379**
EBITDA margin, reported	*28.4%*	*28.6%*	*31.1%*
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1 Captive insurance	-	1,118	1,201
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3 Closing of branches	-	650	650
4 Wexford costs	-	525	525
5 One time expenses	66	178	328
6 Labor adjustments	168	180	215
7 Personal expenses	205	201	191
8 Officer compensation expense	2,326	55	187
9 Life insurance	21	22	12
10 Hazar-Bestos profits annualized	-	30	-
VDD adjustments	3,647	4,015	4,431
EBITDA, VDD adjusted	**30,647**	**33,918**	**38,810**
EBITDA margin, VDD adjusted	*32.2%*	*32.4%*	*35.1%*
Potential adjustments	1,386	(534)	(903)
EBITDA, potentially adjusted	**32,033**	**33,383**	**37,907**
EBITDA margin, potentially adjusted	*33.6%*	*31.9%*	*34.5%*

Source: Management provided information; KPMG analysis.

VDD adjustments (cont'd)

2. **Leachate disposal fees (cont'd):** We noted that there were no leachate disposal fees recorded in the July and August 2019 P&Ls. Additionally, we obtained a sample of two monthly invoices for the City of Cadillac disposals and agreed the volume (gallons) and rates used in the adjustment. For transportation, we have consulted with Client, and noted that the transportation rates per gallon ($0.025 per gallon for City of Cadillac, $0.065 per gallon for Miller Well disposal) appear to be in line with Client's business. Management represented that there are no ongoing costs for operating the leachate disposal well.

3. **Closing of branches:** Management represented that the Company plans to close and consolidate hauling operations from Charlevoix and Gaylord into a new facility in Elmira, MI, in order to gain operating and cost efficiencies. This adjustment represents Management's estimate of run rate savings resulting from this operational change, including a reduction in headcount for two clerical employees and two mechanics, and a reduction in disposal fees based on a percentage of current third party disposal costs. We propose an alternative calculation for this adjustment in the Potential adjustments section, and other items to consider.

4. **Wexford costs:** As noted in VDD adjustment #2, the Company incurred costs related to the development of a new leachate disposal process. Management initially represented that some costs were capitalized and the remaining were expensed. This adjustment adds back the development costs expensed in FY18 as per the VDD report. Subsequent to further inquiry, Management noted the adjustment is no longer valid as all the expenses were capitalized, and is reversed below in the Potential adjustments section.

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Quality of earnings (4) - VDD adjustments

Quality of earnings - Business				
$'000		FY17	FY18	TTM Jun-19
Net sales, reported		**95,083**	**104,680**	**110,436**
Potential adjustments		161	(168)	(483)
Net sales, potentially adjusted		**95,243**	**104,512**	**109,953**
EBITDA, reported		**27,000**	**29,903**	**34,379**
EBITDA margin, reported		*28.4%*	*28.6%*	*31.1%*
VDD adjustments				
1	Captive insurance	-	1,118	1,201
2	Leachate disposal costs	862	1,056	1,122
3	Closing of branches	-	650	650
4	Wexford costs	-	525	525
5	One time expenses	66	178	328
6	Labor adjustments	168	180	215
7	Personal expenses	205	201	191
8	Officer compensation expense	2,326	55	187
9	Life insurance	21	22	12
10	Hazar-Bestos profits annualized	-	30	-
VDD adjustments		3,647	4,015	4,431
EBITDA, VDD adjusted		**30,647**	**33,918**	**38,810**
EBITDA margin, VDD adjusted		*32.2%*	*32.4%*	*35.1%*
Potential adjustments		1,386	(534)	(903)
EBITDA, potentially adjusted		**32,033**	**33,383**	**37,907**
EBITDA margin, potentially adjusted		*33.6%*	*31.9%*	*34.5%*

Source: Management provided information; KPMG analysis.

VDD adjustments (cont'd)

5. **One-time expenses:** Adjustment removes payments to a company affiliated with the owners (not related to business expense of Target), professional fees related to the potential sale of the business and excess / personal charitable donations.

One-time expenses			
$'000	FY17	FY18	TTM Jun-19
Professional fees	2	107	281
Donations	64	64	51
Travel	-	7	-
Reconciling difference	-	-	(4)
Total one-time expenses	**66**	**178**	**328**

Source: Management provided information; KPMG analysis.

We agreed the amounts to a listing of expenses, and discussed the nature of a sample of items with Management. In TTM Jun-19, the balance primarily consisted of a payment of $250,000 to an affiliated party related to non-compete agreements for PA operations.

6. **Labor adjustments:** Adjustment adds back the salary of three individuals who do not play a role in the business, including the owners' family members and those employed for personal home maintenance and repairs. We obtained the W2s and noted a difference in the fringe rate used as compared to the Company's benefits and payroll taxes as a percentage of payroll. Refer to the Potential adjustments section for further detail.

7. **Personal expenses:** Adjustment eliminates owner personal expenses placed on the Company credit card. We obtained a sample of credit card statements for two months (March and May 2019), and noted the amounts reconciled to the amount from the adjustment with minor differences. The nature of the expenses primarily related to hotels, meals, suite for the Detroit Red Wings hockey team, flights and ground transportation. Management represented that these expenses were not incurred for business purposes.

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Quality of earnings (5) - VDD adjustments

Quality of earnings - Business				
$'000		FY17	FY18	TTM Jun-19
Net sales, reported		**95,083**	**104,680**	**110,436**
Potential adjustments		161	(168)	(483)
Net sales, potentially adjusted		**95,243**	**104,512**	**109,953**
EBITDA, reported		**27,000**	**29,903**	**34,379**
EBITDA margin, reported		*28.4%*	*28.6%*	*31.1%*
VDD adjustments				
1	Captive insurance	-	1,118	1,201
2	Leachate disposal costs	862	1,056	1,122
3	Closing of branches	-	650	650
4	Wexford costs	-	525	525
5	One time expenses	66	178	328
6	Labor adjustments	168	180	215
7	Personal expenses	205	201	191
8	Officer compensation expense	2,326	55	187
9	Life insurance	21	22	12
10	Hazar-Bestos profits annualized	-	30	-
VDD adjustments		3,647	4,015	4,431
EBITDA, VDD adjusted		**30,647**	**33,918**	**38,810**
EBITDA margin, VDD adjusted		*32.2%*	*32.4%*	*35.1%*
Potential adjustments		1,386	(534)	(903)
EBITDA, potentially adjusted		**32,033**	**33,383**	**37,907**
EBITDA margin, potentially adjusted		*33.6%*	*31.9%*	*34.5%*

Source: Management provided information; KPMG analysis.

VDD adjustments (cont'd)

8. **Officer compensation expense:** In mid-FY17, the Company shifted from recording owner tax distributions in compensation expense to directly in equity. This adjustment removes the officer compensation recorded, including distributions, and replaces it with normalized officer salaries of $160,000 each for two officers.

Officer compensation expense			
$'000	FY17	FY18	TTM Jun-19
Edward Ascione, VDD reported	1,349	220	297
Michael Ascione, VDD reported	1,297	155	210
Normalized officer compensation expense	(320)	(320)	(320)
Officer compensation expense, VDD adjustment	**2,326**	**55**	**187**

Source: Management provided information; KPMG analysis.

We noted a difference in the fringe rate used in Management's calculation as compared to the Company's benefits and payroll taxes as a percentage of payroll. Refer to the Potential adjustments section for further detail.

9. **Life insurance:** Adjustment removes the officers' life insurance coverage for Mike Ascione (CEO) and Eddie Ascione (COO) as it was discretionary and not required post-acquisition. We were not provided support for this adjustment.

10. **Hazar-Bestos profits annualized:** On February 1, 2018, the Company completed the acquisition of Hazar-Bestos Corporation ("HBC"). The adjustment represents 1/12th of the 2018 profits reported for the acquired entity in order to annualize the impact of the acquisition in FY18. The VDD did not propose an adjustment to revenue, however we have included an estimated adjustment to revenue for Jan-18 using Feb-18 revenue as a proxy.

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Quality of earnings (6) - Potential adjustments

Quality of earnings - Business				
$'000		FY17	FY18	TTM Jun-19
Net sales, reported		**95,083**	**104,680**	**110,436**
Potential adjustments		161	(168)	(483)
Net sales, potentially adjusted		**95,243**	**104,512**	**109,953**
EBITDA, reported		**27,000**	**29,903**	**34,379**
EBITDA margin, reported		*28.4%*	*28.6%*	*31.1%*
VDD adjustments		3,647	4,015	4,431
EBITDA, VDD adjusted		**30,647**	**33,918**	**38,810**
EBITDA margin, VDD adjusted		*32.2%*	*32.4%*	*35.1%*
Potential adjustments				
11	Containers expense	1,189	1,460	1,565
12	Gain / loss on sale of assets	(763)	(952)	(1,068)
13	Reversal of Wexford costs adjustment	-	(525)	(525)
14	Wexford landfill recapture mechanism	161	(451)	(483)
15	Closing of branches (partial reversal)	-	(471)	(471)
16	Other	20	55	(251)
17	IFRS leases	203	203	203
18	Bad debts	576	146	127
Potential adjustments		1,386	(534)	(903)
EBITDA, potentially adjusted		**32,033**	**33,383**	**37,907**
EBITDA margin, potentially adjusted		*33.6%*	*31.9%*	*34.5%*

Source: Management provided information; KPMG analysis.

Potential adjustments

The following are potential adjustments to reported EBITDA identified during due diligence.

11. **Containers expense:** We noted that there were $1.2 million, $1.5 million and $1.6 million of container additions that were expensed as opposed to capitalized in FY17, FY18, and TTM Jun-19, respectively. The Company opted to expense all container additions under $5,000 as advised by their external accountants. This adjustment adds back the container expenses for items under $5,000 in order to align with the Client's accounting policy of capitalizing such items.

12. **Gain / loss on sale of assets:** This adjustment removes gains and losses on the sale of fixed assets from EBITDA as they were not related to the core operations of the business. Additionally, the amount represented an accounting gain/loss, as the gain/loss was the difference between proceeds and net book value. We noted that the Company's dispositions in 2018 primarily related to service vehicles, based on information obtained on the proceeds of disposition.

13. **Reversal of Wexford costs adjustment:** Management indicated that subsequent to further discussion, all costs related to the development of the self-contained leachate disposal process were capitalized. As such, VDD adjustment #4 was reversed.

14. **Wexford landfill recapture mechanism:** Management represented that there was an over accrual of expenses in FY16 through to FY18 related to the perpetual care fund liability in the state of Michigan for Wexford landfill's post closure responsibility. Management noted the liability had reached state cap prior to the start of FY16 and therefore, a recovery was recorded in November 2018 to reverse the accruals. This adjustment removes the out of period recovery in November 2018 and adjusts the accruals across the historical period to nil.

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Quality of earnings (7) - Potential adjustments

Quality of earnings - Business				
$'000		FY17	FY18	TTM Jun-19
Net sales, reported		**95,083**	**104,680**	**110,436**
Potential adjustments		161	(168)	(483)
Net sales, potentially adjusted		**95,243**	**104,512**	**109,953**
EBITDA, reported		**27,000**	**29,903**	**34,379**
EBITDA margin, reported		*28.4%*	*28.6%*	*31.1%*
VDD adjustments		3,647	4,015	4,431
EBITDA, VDD adjusted		**30,647**	**33,918**	**38,810**
EBITDA margin, VDD adjusted		*32.2%*	*32.4%*	*35.1%*
Potential adjustments				
11	Containers expense	1,189	1,460	1,565
12	Gain / loss on sale of assets	(763)	(952)	(1,068)
13	Reversal of Wexford costs adjustment	-	(525)	(525)
14	Wexford landfill recapture mechanism	161	(451)	(483)
15	Closing of branches (partial reversal)	-	(471)	(471)
16	Other	20	55	(251)
17	IFRS leases	203	203	203
18	Bad debts	576	146	127
Potential adjustments		1,386	(534)	(903)
EBITDA, potentially adjusted		**32,033**	**33,383**	**37,907**
EBITDA margin, potentially adjusted		*33.6%*	*31.9%*	*34.5%*

Source: Management provided information; KPMG analysis.

Potential adjustments (cont'd)

15. **Closing of branches (partial reversal):** As noted in VDD adjustment #3, Management estimated the run rate savings resulting from consolidating the Charlevoix and Gaylord branches into Elmira. Management/VDD advisors did not provide details supporting their assumptions for savings on third party disposal costs, and any other potential costs or savings relating to the consolidation of the branches. We have proposed an alternative adjustment based on reduced facility and headcount expenses.

Closing of branches - Charlevoix and Gaylord			
$'000	FY17	FY18	TTM Jun-19
Closing of branches, VDD reported	-	650	650
Adjusted			
Estimated payroll savings	-	132	132
Estimated facility expense savings	-	53	53
Less: Elmira lease expense	-	(6)	(6)
Closing of branches, adjusted	-	179	179
Closing of branches, adjustment	**-**	**(471)**	**(471)**

Source: Management provided information; KPMG analysis.

Payroll savings are estimated based on savings of two clerical employees, assumed at $55,000 annually plus a fringe benefits rate of 20%.

Facility expense savings are estimated by the average 2018 costs for both Gaylord and Charlevoix. Facility expenses consisted of utilities, property taxes, building repairs and janitorial services.

Lease costs are based on the Elmira lease documents in the dataroom at $500/month.

We note that there are other potential savings and costs in relation to the consolidation of the two sites, which we are unable to quantify. Please refer to the Other considerations section for further detail.

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Quality of earnings (8) - Potential adjustments

Quality of earnings - Business				
$'000		FY17	FY18	TTM Jun-19
Net sales, reported		**95,083**	**104,680**	**110,436**
Potential adjustments		161	(168)	(483)
Net sales, potentially adjusted		**95,243**	**104,512**	**109,953**
EBITDA, reported		**27,000**	**29,903**	**34,379**
EBITDA margin, reported		*28.4%*	*28.6%*	*31.1%*
VDD adjustments		3,647	4,015	4,431
EBITDA, VDD adjusted		**30,647**	**33,918**	**38,810**
EBITDA margin, VDD adjusted		*32.2%*	*32.4%*	*35.1%*
Potential adjustments				
11	Containers expense	1,189	1,460	1,565
12	Gain / loss on sale of assets	(763)	(952)	(1,068)
13	Reversal of Wexford costs adjustment	-	(525)	(525)
14	Wexford landfill recapture mechanism	161	(451)	(483)
15	Closing of branches (partial reversal)	-	(471)	(471)
i	Officer compensation & labor adjustments	(31)	4	(134)
ii	Run rate finance department headcount	103	103	84
iii	Employee health insurance expense	-	(0)	(95)
iv	Workers' compensation year-end adjustments	-	-	(54)
v	Audit fees	(52)	(52)	(52)
16	Other	20	55	(251)
17	IFRS leases	203	203	203
18	Bad debts	576	146	127
Potential adjustments		1,386	(534)	(903)
EBITDA, potentially adjusted		**32,033**	**33,383**	**37,907**
EBITDA margin, potentially adjusted		*33.6%*	*31.9%*	*34.5%*

Source: Management provided information; KPMG analysis.

Potential adjustments (cont'd)

16. **Other adjustments:**

i. **Officer compensation & labor adjustments:** As noted in VDD adjustment #8, the owners' officer compensation recorded over the historical period was added back, net of normalized officer compensation for two officers. VDD adjustment #6 includes an addback of salaries for three individuals who do not play a role in the business. The add backs for both adjustments include a gross up of the historical officers' salaries by 35% for payroll taxes and benefits. Based on our analysis of consolidated payroll, we note that each of payroll taxes and benefits comprise of 10% of wages, resulting in a total gross up of 20% across the historical period. Based on the 2018 W2s obtained for these individuals, we note that payroll taxes are already incorporated into their gross salaries that were used for the purposes of the VDD adjustments. As such, this adjustment includes a 10% gross up for benefits.

Officer compensation expense			
$'000	FY17	FY18	TTM Jun-19
Officers' compensation adjustment			
Officer compensation, VDD adjustment	2,326	55	187
Edward Ascione, potentially adjusted	1,349	242	242
Michael Ascione, potentially adjusted	1,297	171	171
Normalized officer compensation expense	(320)	(320)	(320)
Officer compensation, potentially adjusted	2,326	93	93
Officer compensation, potential adjustment	**-**	**38**	**(94)**
Labor adjustment			
Labor adjustment, per VDD adjustment	168	180	215
Labor adjustment, potentially adjusted	137	147	175
Labor adjustment, potential adjustment	**(31)**	**(33)**	**(40)**
Total officer compensation & labor adjustments	**(31)**	**4**	**(134)**

Source: Management provided information; KPMG analysis.

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Quality of earnings (9) - Potential adjustments

Quality of earnings - Business				
$'000		FY17	FY18	TTM Jun-19
Net sales, reported		**95,083**	**104,680**	**110,436**
Potential adjustments		161	(168)	(483)
Net sales, potentially adjusted		**95,243**	**104,512**	**109,953**
EBITDA, reported		**27,000**	**29,903**	**34,379**
EBITDA margin, reported		*28.4%*	*28.6%*	*31.1%*
VDD adjustments		3,647	4,015	4,431
EBITDA, VDD adjusted		**30,647**	**33,918**	**38,810**
EBITDA margin, VDD adjusted		*32.2%*	*32.4%*	*35.1%*
Potential adjustments				
11	Containers expense	1,189	1,460	1,565
12	Gain / loss on sale of assets	(763)	(952)	(1,068)
13	Reversal of Wexford costs adjustment	-	(525)	(525)
14	Wexford landfill recapture mechanism	161	(451)	(483)
15	Closing of branches (partial reversal)	-	(471)	(471)
i	Officer compensation & labor adjustments	(31)	4	(134)
ii	Run rate finance department headcount	103	103	84
iii	Employee health insurance expense	-	(0)	(95)
iv	Workers' compensation year-end adjustments	-	-	(54)
v	Audit fees	(52)	(52)	(52)
16	Other	20	55	(251)
17	IFRS leases	203	203	203
18	Bad debts	576	146	127
Potential adjustments		1,386	(534)	(903)
EBITDA, potentially adjusted		**32,033**	**33,383**	**37,907**
EBITDA margin, potentially adjusted		*33.6%*	*31.9%*	*34.5%*

Source: Management provided information; KPMG analysis.

Potential adjustments (cont'd)

16. **Other adjustments (cont'd):**

ii. **Run rate finance department headcount:** The Company's controller retired in April 2019 and a raise of $10k each was given to the two assistant controllers in May 2019 to assume the additional responsibilities. We understand that Client will not replace the Controller subsequent to transaction close. This adjustment removes the salary and bonus of the Controller in the period prior to the retirement date, and reflects the salary increases of the assistant controllers across the historical period.

Finance department open headcount			
$'000	FY17	FY18	TTM Jun-19
Robert Atkinson, Controller, salary	106	106	87
Robert Atkinson, Controller, bonus	17	17	14
Autumn Rhoades, Assistant Controller, pay increase	(10)	(10)	(8)
Cindy Smith, Assistant Controller, pay increase	(10)	(10)	(8)
Finance department open headcount, potential adjustment	**103**	**103**	**84**

Source: Management provided information; KPMG analysis.

iii. **Employee health insurance expense:** Management represented that the Company accrues for health insurance in December of each year. This adjustment reflects the expense in each month using the annual health insurance incurred as a percentage of wages.

iv. **Workers' compensation year-end adjustments:** The adjustment spreads the impact of adjustments made to workers' compensation throughout the year, which are assumed to be related to claims recorded in the fiscal year.

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Quality of earnings (10) - Potential adjustments

Quality of earnings - Business				
$'000		FY17	FY18	TTM Jun-19
Net sales, reported		**95,083**	**104,680**	**110,436**
Potential adjustments		161	(168)	(483)
Net sales, potentially adjusted		**95,243**	**104,512**	**109,953**
EBITDA, reported		**27,000**	**29,903**	**34,379**
EBITDA margin, reported		*28.4%*	*28.6%*	*31.1%*
VDD adjustments		3,647	4,015	4,431
EBITDA, VDD adjusted		**30,647**	**33,918**	**38,810**
EBITDA margin, VDD adjusted		*32.2%*	*32.4%*	*35.1%*
Potential adjustments				
11	Containers expense	1,189	1,460	1,565
12	Gain / loss on sale of assets	(763)	(952)	(1,068)
13	Reversal of Wexford costs adjustment	-	(525)	(525)
14	Wexford landfill recapture mechanism	161	(451)	(483)
15	Closing of branches (partial reversal)	-	(471)	(471)
i	Officer compensation & labor adjustments	(31)	4	(134)
ii	Run rate finance department headcount	103	103	84
iii	Employee health insurance expense	-	(0)	(95)
iv	Workers' compensation year-end adjustments	-	-	(54)
v	Audit fees	(52)	(52)	(52)
16	Other	20	55	(251)
17	IFRS leases	203	203	203
18	Bad debts	576	146	127
Potential adjustments		1,386	(534)	(903)
EBITDA, potentially adjusted		**32,033**	**33,383**	**37,907**
EBITDA margin, potentially adjusted		*33.6%*	*31.9%*	*34.5%*

Source: Management provided information; KPMG analysis.

Potential adjustments (cont'd)

16. **Other adjustments (cont'd):**

    v. **Audit fees:** Management represented that the Company completed its first audit for year ended December 31, 2018 in July 2019. Previously, the Company completed review or compilation engagements and the audit fees were not recorded in the reported results. This adjustment records the cost of the audit across the historical period, net of an estimate for the costs recorded related to the review / compilation engagements.

Audit fees			
$'000	FY17	FY18	TTM Jun-19
Audit fees	(72)	(72)	(72)
Less: Assumption for Rehmann compilation / review fees	20	20	20
Audit fees, potential adjustment	**(52)**	**(52)**	**(52)**

Source: Management provided information; KPMG analysis.

17. **IFRS leases:** To be consistent with GFL's accounting policy to capitalize right of use assets under IFRS 16, we have included the addback of rent expense attributable to leased facilities. Under IFRS 16, future rent expense will be capitalized and depreciated. The lease expenses within this adjustment include ancillary costs pursuant to the respective agreements (e.g. water, trash, and sewage). Note: Lease agreements provided by Management were expired and Management represented that the leases are on a month-to-month basis.

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Quality of earnings (11) - Potential adjustments

Quality of earnings - Business				
$'000		FY17	FY18	TTM Jun-19
Net sales, reported		**95,083**	**104,680**	**110,436**
Potential adjustments		161	(168)	(483)
Net sales, potentially adjusted		**95,243**	**104,512**	**109,953**
EBITDA, reported		**27,000**	**29,903**	**34,379**
EBITDA margin, reported		*28.4%*	*28.6%*	*31.1%*
VDD adjustments		3,647	4,015	4,431
EBITDA, VDD adjusted		**30,647**	**33,918**	**38,810**
EBITDA margin, VDD adjusted		*32.2%*	*32.4%*	*35.1%*
Potential adjustments				
11	Containers expense	1,189	1,460	1,565
12	Gain / loss on sale of assets	(763)	(952)	(1,068)
13	Reversal of Wexford costs adjustment	-	(525)	(525)
14	Wexford landfill recapture mechanism	161	(451)	(483)
15	Closing of branches (partial reversal)	-	(471)	(471)
16	Other	20	55	(251)
17	IFRS leases	203	203	203
18	Bad debts	576	146	127
Potential adjustments		1,386	(534)	(903)
EBITDA, potentially adjusted		**32,033**	**33,383**	**37,907**
EBITDA margin, potentially adjusted		*33.6%*	*31.9%*	*34.5%*

Source: Management provided information; KPMG analysis.

Potential adjustments (cont'd)

18. **Bad debts:** The Business' reported bad debt expense includes both actual write-offs and the year-over-year movement in the allowance for doubtful accounts. We obtained the Business' actual bad debt experience from Management, which was negligible in 2018 and TTM Jun-19. We have proposed an adjustment to adjust the reported bad debts expense to the amount of actual write-offs during the year.

Bad debts			
$'000	FY17	FY18	TTM Jun-19
Bad debts, reported	(669)	(148)	(131)
Bad debts, adjusted	(94)	(1)	(4)
Bad debts, adjustment	**576**	**146**	**127**

Source: Management provided information; KPMG analysis.

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Quality of earnings (12) - Other considerations

Other considerations

The following includes potential Quality of Earnings considerations identified during due diligence. These items relate to other potential issues that should be considered in the overall evaluation of the business. In addition, these items may be subjective in nature and as a result, have not been included in the Quality of Earnings schedule.

Other considerations				
$'000		FY17	FY18	TTM Jun-19
A	Closing of branches	[ ]	[ ]	[ ]
B	PP&E capitalization policy	[ ]	[ ]	[ ]
C	Personnel run rate costs	(80)	(80)	(80)
D	Traverse MRF - reduction in headcount	[ ]	[ ]	[ ]

Source: Management provided information; KPMG analysis.

A. **Closing of branches:** There may be other savings or costs to consider in relation to the consolidation of the Charlevoix and Gaylord sites into Elmira.

Closing of branches - Charlevoix and Gaylord			
$'000	FY17	FY18	TTM Jun-19
Transportation savings	-	250	250
Internalization of volume savings	-	190	190
Less: Increased fuel and R&M costs	[ ]	[ ]	[ ]
Less: Cost to transfer to Elmira	[ ]	[ ]	[ ]
Add: Other potential savings	[ ]	[ ]	[ ]

Source: Management provided information; KPMG analysis.

Transportation savings: We have illustrated potential savings based on our understanding of volumes and trucks used as represented by Management, as well as approximate distances between the towns where the facilities are/will be located.

A. **Closing of branches (cont'd):**

Internalization of volume: Management/VDD advisors were unable to provide further detail on estimated disposal cost savings proposed in relation to the consolidation of Charlevoix and Gaylord to Elmira. We have performed an indicative calculation based on our understanding of volumes and trucks used, as well as existing disposal costs at third party sites.

Increased fuel and R&M costs: As equipment used in the consolidated operations may be more utilized, there may be increased fuel, and repairs and maintenance costs in the future.

Cost to transfer to Elmira: As volumes from Gaylord historically have been hauled direct to a competitors' landfill, there may be incremental costs in relation to bringing these volumes to the Elmira transfer station, including increased headcount costs related to handling of the material.

Refer to Appendix 5 for further detail.

B. **PP&E capitalization policy:** Management noted the Company does not have a PP&E capitalization policy that is followed. The Company has generally followed an approach of tax minimization, and as such there could be other costs running through the P&L that could be capitalized to the balance sheet and amortized through the P&L. Additionally, Management noted repairs and maintenance expense as a percentage of revenue has declined year over year as the Company has recently invested in new vehicles and equipment.

C. **Personnel run rate costs:** Management noted that $20,000 salary raises were contemplated for four key management level employees subsequent to completion of the transaction. Additionally, Client may wish to consider other incremental headcount costs or savings subsequent to transaction close.

D. **Traverse MRF – reduction in headcount:** Management represented that upgrading of the paper sorting system is expected in the next 12 months at Traverse City MRF, which may result in a reduction in headcount.

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Balance sheet, net working capital

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Stratified balance sheet

The table below presents the Company's balance sheet as at December 31, 2018 and June 30, 2019 on a reported basis and segregated into its components as at June 30, 2019.

Stratified balance sheet

$'000	31-Dec-18	30-Jun-19	Stratification as at 30-Jun-19			
			NWC	Infra-structure	Net Debt	Others
Assets						
Cash	(460)	1,430	-	-	1,430	-
Accounts receivable, net	10,762	13,603	13,603	-	-	-
Prepaid expenses	2,955	1,831	1,831	-	-	-
Inventory	44	88	88	-	-	-
Due from related parties	4,873	5,734	-	-	5,734	-
Employee loans	103	95	-	-	95	-
Current assets	18,277	22,781	15,522	-	7,259	-
Property and equipment, net	62,792	64,411	-	64,411	-	-
Note receivable - shareholder	2,907	2,782	-	-	2,782	-
Note receivable - other	229	229	-	-	229	-
Other current assets	9	9	9	-	-	-
Hazar-Bestos corp purchase	1,519	1,519	-	-	-	1,519
NE investment	6,000	6,000	-	-	-	6,000
Investment in unconsolidated affiliate	3,538	3,413	-	-	-	3,413
Intangibles, net	9,654	9,568	-	9,568	-	-
Other assets	23,855	23,519	9	9,568	3,010	10,932
Assets	**104,924**	**110,711**	**15,530**	**73,979**	**10,270**	**10,932**
Liabilities and shareholders' equity						
Accounts payable	(5,767)	(7,364)	(7,364)	-	-	-
Deferred revenue	(8)	(8)	(8)	-	-	-
Other current liabilities	(35)	(59)	(59)	-	-	-
Accrued expenses	(2,328)	(2,394)	(2,394)	-	-	-
Due to related parties	(3,810)	(1,887)	-	-	(1,887)	-
Current portion of long-term notes payable	(4,680)	(4,680)	-	-	(4,680)	-
Current liabilities	(16,628)	(16,392)	(9,825)	-	(6,568)	-
Line of credit	(1,800)	(3,410)	-	-	(3,410)	-
Notes payable, net of current portion	(4,608)	(9,136)	-	-	(9,136)	-
Capital lease obligations, net of current portion	(7,484)	(6,013)	-	-	(6,013)	-
Landfill retirement obligation	(6,296)	(6,454)	-	-	(6,454)	-
Long-term debt	(20,188)	(25,012)	-	-	(25,012)	-
Liabilities	**(36,816)**	**(41,405)**	**(9,825)**	**-**	**(31,580)**	**-**
Net assets	**68,109**	**69,306**	**5,705**	**73,979**	**(21,310)**	**10,932**

Source: Management provided information; KPMG analysis.

Stratified balance sheet

- Components of net working capital include:

  Net working capital components: Please see the following pages for additional adjustment considerations.

  - **Accounts receivable:** Primarily includes $15.0 million of trade receivables and $1.5 million of allowance for doubtful accounts ("AFDA"). Management historically records a blanket allowance for doubtful collections based on all receivables due over 90 days. As at June 30, 2019, the provision allowance is approximately 10.1% of the AR balance.
  - **Prepaid expenses:** Mainly represents $1.2 million of prepaid insurance and $0.7 million of license plates for vehicle purchases and other prepaid expenses.
  - **Accounts payable:** Comprises of trade payables with average payment terms to suppliers of net 30 days. This includes $7.1 million of trade payables and $0.3 million of other payables, primarily related to property tax.
  - **Deferred revenue:** Represents cash receipts in advance for residential contracts. The cash is collected at the start of each quarter and amortized over three months as the services are performed.
  - **Accrued expenses and other current liabilities:** Represents $1.7 million of accrued payroll, $0.4 million of vacation, $0.1 million of workers' compensation and $0.2 million of other benefit accruals.

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Net working capital (1) - Overview

Average TTM Jun-19 net working capital after reporting adjustments was approximately $5.5 million.

Subsequent to potential adjustments, the average net working capital increased to $7.4 million.

See the following pages for additional details on the adjustments.

Net working capital

	As at		Average	
$'000	31-Dec-18	30-Jun-19	FY18	TTM Jun-19
Current assets				
Accounts receivable, net	10,762	13,603	10,791	11,626
Prepaid expenses	2,955	1,831	1,466	1,711
Inventory	44	88	63	67
Other current assets	9	9	16	10
Current assets	13,769	15,530	12,336	13,415
Current liabilities				
Accounts payable	(5,767)	(7,364)	(4,545)	(4,712)
Deferred revenue	(8)	(8)	(854)	(895)
Other current liabilities	(35)	(59)	(120)	(78)
Accrued expenses	(2,328)	(2,394)	(2,184)	(2,113)
Current liabilities	(8,138)	(9,825)	(7,703)	(7,799)
Net working capital, combined	**5,631**	**5,705**	**4,633**	**5,616**
As % of TTM net sales	*5.4%*	*5.2%*	*4.4%*	*5.1%*
Reporting adjustments	(957)	-	(80)	(80)
Net working capital, reported	**4,674**	**5,705**	**4,553**	**5,536**
Potential adjustments	2,970	4,031	1,692	1,902
Net working capital, potentially adjusted	**7,645**	**9,736**	**6,245**	**7,438**
As % of TTM adjusted net sales	*7.3%*	*8.9%*	*6.0%*	*6.8%*

Source: Management provided information; KPMG analysis.

Basis of Presentation

The adjacent net working capital schedule summarizes the potential adjustments to be considered for the fiscal years ended December 31, 2018 and the trailing twelve months ended June 30, 2019.

Such proposed adjustments are not deemed to be all inclusive. The validity of these potential adjustments and other factors raised for your consideration may require further investigation to understand the potential impact on your valuation model.

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Net working capital (2) - VDD exclusions and reporting adjustments

Net working capital	As at		Average	
$'000	31-Dec-18	30-Jun-19	FY18	TTM Jun-19
Current assets				
Accounts receivable, net	10,762	13,603	10,791	11,626
Prepaid expenses	2,955	1,831	1,466	1,711
Inventory	44	88	63	67
Other current assets	9	9	16	10
Current assets	13,769	15,530	12,336	13,415
Current liabilities				
Accounts payable	(5,767)	(7,364)	(4,545)	(4,712)
Deferred revenue	(8)	(8)	(854)	(895)
Other current liabilities	(35)	(59)	(120)	(78)
Accrued expenses	(2,328)	(2,394)	(2,184)	(2,113)
Current liabilities	(8,138)	(9,825)	(7,703)	(7,799)
Net working capital, combined	**5,631**	**5,705**	**4,633**	**5,616**
As % of TTM net sales	*5.4%*	*5.2%*	*4.4%*	*5.1%*
Reporting adjustments				
Negative cash to AP	(957)	-	(80)	(80)
Reporting adjustments	(957)	-	(80)	(80)
Net working capital, reported	**4,674**	**5,705**	**4,553**	**5,536**
Potential adjustments	2,970	4,031	1,692	1,902
Net working capital, potentially adjusted	**7,645**	**9,736**	**6,245**	**7,438**
As % of TTM adjusted net sales	*7.3%*	*8.9%*	*6.0%*	*6.8%*

Source: Management provided information; KPMG analysis.

Reporting adjustments

- **Negative cash to AP**: Management represented that the negative cash balances are outstanding checks yet to clear the bank, or lines of credit. Therefore, Management has reclassified all negative cash balances to accounts payable at year end. We have reversed the negative cash adjustment as at 31-Dec-18 in adjustment #8. Refer to the adjustment for further details.

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Net working capital (3) - Potential adjustments

Net working capital				
	As at		Average	
$'000	31-Dec-18	30-Jun-19	FY18	TTM Jun-19
Current assets	13,769	15,530	12,336	13,415
Current liabilities	(8,138)	(9,825)	(7,703)	(7,799)
Net working capital, combined	**5,631**	**5,705**	**4,633**	**5,616**
As % of TTM net sales	*5.4%*	*5.2%*	*4.4%*	*5.1%*
Reporting adjustments	(957)	-	(80)	(80)
Net working capital, reported	**4,674**	**5,705**	**4,553**	**5,536**
Potential adjustments				
1 Removal of outstanding checks from AP	2,890	2,913	660	1,005
2 Captive insurance prepaid	(1,184)	(550)	(611)	(617)
3 Capex in AP	41	909	489	505
4 Elimination of intercompany AP	92	36	283	263
5 Allowance for doubtful accounts	0	408	55	227
6 AP impact of QofE adjustments	149	289	149	170
7 Wexford landfill recapture mechanism	-	-	400	165
8 Reversal of negative cash to AP	957	-	80	80
9 Accrued health insurance	-	-	166	76
10 Accrued payroll impact of QofE adjustments	25	26	20	28
Potential adjustments	2,970	4,031	1,692	1,902
Net working capital, potentially adjusted	**7,645**	**9,736**	**6,245**	**7,438**
As % of TTM adjusted net sales	*7.3%*	*8.9%*	*6.0%*	*6.8%*

Source: Management provided information; KPMG analysis.

Potential adjustments

The following represent potential adjustments identified during due diligence that may impact net working capital.

1. **Removal of outstanding checks from AP:** The Company recorded outstanding checks that were mailed, but had not yet cleared the bank in accounts payable. As the checks were issued, and were no longer in the Company's control, we have proposed an adjustment to remove these checks from accounts payable and net working capital, and recorded them as a reduction of cash within net debt.
2. **Captive insurance prepaid:** Consistent with VDD QofE adjustment #1, this adjustment removes the net working capital impact of the captive insurance from prepaid expenses.
3. **Capex in AP:** The adjustment represents an estimate to remove accounts payable related to capital expenditures from net working capital, which is considered non-operational in nature. The estimate is based on the month-over-month increases in the construction in process account and the Business DPO.
4. **Elimination of intercompany AP:** The adjustment removes the intercompany accounts payable balance in Hazar-Bestos Corporation from 31-Mar-18 to 30-Nov-18, for which the offset is recorded in due from related parties in AWI (non-working capital account) and the intercompany accounts payable balance in from 28-Feb-18 to 30-Jun-19, for which the partial offset is recorded in accounts receivable in AWI.
5. **Allowance for doubtful accounts:** Management has historically trued up allowance for doubtful accounts at year-end. The Company's policy is to reserve all balances over 90 days. The adjustment proposed trues up the allowance at each month end, based on a review of A/R aging summaries in each period for AWI and AWA for balances over 90 days.

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Net working capital (4) - Potential adjustments (cont'd)

Net working capital				
	As at		Average	
$'000	31-Dec-18	30-Jun-19	FY18	TTM Jun-19
Current assets	13,769	15,530	12,336	13,415
Current liabilities	(8,138)	(9,825)	(7,703)	(7,799)
Net working capital, combined	**5,631**	**5,705**	**4,633**	**5,616**
As % of TTM net sales	*5.4%*	*5.2%*	*4.4%*	*5.1%*
Reporting adjustments	(957)	-	(80)	(80)
Net working capital, reported	**4,674**	**5,705**	**4,553**	**5,536**
Potential adjustments				
1 Removal of outstanding checks from AP	2,890	2,913	660	1,005
2 Captive insurance prepaid	(1,184)	(550)	(611)	(617)
3 Capex in AP	41	909	489	505
4 Elimination of intercompany AP	92	36	283	263
5 Allowance for doubtful accounts	0	408	55	227
6 AP impact of QofE adjustments	149	289	149	170
7 Wexford landfill recapture mechanism	-	-	400	165
8 Reversal of negative cash to AP	957	-	80	80
9 Accrued health insurance	-	-	166	76
10 Accrued payroll impact of QofE adjustments	25	26	20	28
Potential adjustments	2,970	4,031	1,692	1,902
Net working capital, potentially adjusted	**7,645**	**9,736**	**6,245**	**7,438**
As % of TTM adjusted net sales	*7.3%*	*8.9%*	*6.0%*	*6.8%*

Source: Management provided information; KPMG analysis.

Potential adjustments (cont'd)

6. **AP impact of QofE adjustments:** The adjustment removes the estimated impact of VDD QofE adjustments on accounts payable based on the Business DPO.
7. **Wexford landfill recapture mechanism:** As noted in QofE adjustment #14, the Business over-accrued expenses above the Michigan state cap related to the perpetual care fund for Wexford landfill's post closure responsibilities. The adjustment removes the over-accrued expenses each month from other current liabilities, prior to the reversal in Nov-18.
8. **Reversal of negative cash to AP:** The Company reclassified all negative cash balances to AP. Management represented that the negative cash balances are outstanding checks yet to clear the bank, or lines of credit. This adjustment reverses the reporting adjustment on the basis that the line of credit would be considered debt-like. Checks issued by the Company, but not yet cleared by the bank would be out of the Company's control, and therefore a conceptual reduction of cash and accounts payable.
9. **Accrued health insurance:** Management represented that Blue Cross health insurance is only accrued at year-end. Management represented that the FY17 year-end accrual of $182,000 was not reversed until Dec-18, when the FY18 year-end accrual was recorded. The adjustment removes the impact of the FY17 year-end accrual from Jan-18 to Nov-18.
10. **Accrued payroll impact of QofE adjustments:** The adjustment removes the estimated impact of VDD QofE adjustments on accrued payroll, based on an accrual of 14 days, as represented by Management.

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Net working capital (5) - Other considerations

Other considerations					
		As at		Average	
$'000		31-Dec-18	30-Jun-19	FY18	TTM Jun-19
A	Cash and cash equivalents	[ ]	[ ]	[ ]	[ ]
B	AP and payroll impact of potential QofE adjustments	264	285	237	221
C	AP impact of container expense	256	280	229	213
D	Additional capex in accounts payable	[ ]	[ ]	[ ]	[ ]

Source: Management provided information; KPMG analysis.

Other considerations

The following includes potential net working capital considerations identified during due diligence. These items relate to other potential issues that should be considered in the overall evaluation of the Business. In addition, these items may be subjective in nature and as a result, have not been included in the net working capital schedule.

A. **Cash and cash equivalents:** The working capital analysis presented excludes cash. However, it is our understanding that for purposes of the transaction, cash will be included within working capital as at the closing date (i.e. to be captured as part of the purchase price adjustment).

B. **AP and accrued payroll impact of potential QofE adjustments:** We identified potential adjustments in our QofE analysis with an impact to accrued payroll and AP. We understand Client's NWC peg negotiations were on the basis of primarily the VDD adjustments, and as such we have not included a potential adjustment to net working capital for the related balance sheet impact.

C. **AP impact of container expense:** We have estimated the AP impact of container additions that were expensed based on a DPO analysis, which we have considered to be related to growth capex. It is our understanding that Client has not negotiated to remove this impact from the net working capital peg.

D. **Additional capex in accounts payable:** We are unable to determine all the amounts in accounts payable relating to capital additions versus ongoing operations. Client may wish to consider the impact of payables related to capex on the target working capital.

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Net debt

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Net debt (1) - Reported and potential adjustments

The Company's reported net debt as at 30-Jun-19 was $21.3 million.

The amount increased to $24.2 million after potential adjustments identified during due diligence.

Net debt		
$'000	**30-Jun-19**	**On BS?**
Net cash / (debt)		
1 Cash	1,430	✓
2 Due from related parties	5,734	✓
3 Employee loans	95	✓
4 Note receivable from shareholder	2,782	✓
5 Note receivable other	229	✓
6 Due to related parties	(1,887)	✓
7 Current portion of long-term notes payable	(4,680)	✓
8 Line of credit	(3,410)	✓
9 Notes payable, net of current portion	(9,136)	✓
10 Capital lease obligations, net of current portion	(6,013)	✓
11 Landfill retirement obligation	(6,454)	✓
Net debt, reported	**(21,310)**	
Potential adjustments		
12 Removal of outstanding checks from AP	(2,913)	✓
Potential adjustments	**(2,913)**	
Net debt, potentially adjusted	**(24,223)**	
Other considerations		
A West Virginia sales tax exposure	(400)	
B Perpetual care fund	[ ]	
C Construction of Elmira	[ ]	
D Related party/non-offsetting intercompany balances	[ ]	✓
E Charlevoix fire and insurance payout	[ ]	
F One time incentive compensation	[ ]	
G IFRS leases	[ ]	

Source: Management provided information; KPMG analysis

Basis of Presentation

The above table summarizes reported net debt and debt-like items to be considered as at 30-Jun-19.

Adjustments are discussed on the following pages. Proposed adjustments are not deemed to be all inclusive. The validity of these adjustments and other factors raised for your consideration may require further investigation to understand the potential impact on your valuation model.

Reported balances

Items 1 to 11 in the adjacent table include cash and financial debt liabilities as reported on the balance sheet. The following items are noteworthy for additional mention either due to IFRS 16 or present value methodology.

10. **Capital lease obligations, net of current portion:** The reported balance includes the Company's capital lease obligation for equipment rentals. The Company has operating leases related to some of its facilities. We understand that Client's accounting policy is to capitalize operating leases as under IFRS 16, however, our understanding is that Client's valuation does not consider these operating leases as debt-like.

11. **Landfill retirement obligation:** The balance of $6.5 million as at 30-Jun-19 represents book value for accounting purposes, which is recorded at the present value of future estimated costs. Client may wish to consider actual estimated closure and post-closure costs in conjunction with their environmental due diligence.

Potential adjustments

12. **Removal of outstanding checks from AP**: Management represents that balances in a/c #1025 relate to outstanding checks which have been issued but have not yet cleared the bank. As such, we have considered the amount as a reduction of cash.

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Net debt (2) - Other considerations

Net debt		
$'000	30-Jun-19	On BS?
Net cash / (debt)		
1 Cash	1,430	✓
2 Due from related parties	5,734	✓
3 Employee loans	95	✓
4 Note receivable from shareholder	2,782	✓
5 Note receivable other	229	✓
6 Due to related parties	(1,887)	✓
7 Current portion of long-term notes payable	(4,680)	✓
8 Line of credit	(3,410)	✓
9 Notes payable, net of current portion	(9,136)	✓
10 Capital lease obligations, net of current portion	(6,013)	✓
11 Landfill retirement obligation	(6,454)	✓
Net debt, reported	**(21,310)**	
Potential adjustments		
12 Removal of outstanding checks from AP	(2,913)	✓
Potential adjustments	**(2,913)**	
Net debt, potentially adjusted	**(24,223)**	
Other considerations		
A West Virginia sales tax exposure	(400)	
B Perpetual care fund	[ ]	
C Construction of Elmira	[ ]	
D Related party/non-offsetting intercompany balances	[ ]	✓
E Charlevoix fire and insurance payout	[ ]	
F One time incentive compensation	[ ]	
G IFRS leases	[ ]	

Source: Management provided information; KPMG analysis

Other considerations

A. **West Virginia sales tax exposure:** As noted in KPMG's draft tax due diligence findings, historically it does not appear that sales tax was collected on sales in West Virginia. It is possible an exemption may apply, but assuming not, the estimated potential exposure is approximately $400,000 for 2016 to 2018, inclusive of estimated penalties and interest.

B. **Perpetual care fund:** The State of Michigan requires landfills to establish and maintain a perpetual care fund for a period of 30 years after final closure of the landfill. As noted in the audited financial statements, there was $2.307 million of restricted cash and equivalents held as at 31-Dec-18 in the required perpetual care fund (the maximum required fund amount as at 30-Jun-19 was $2.257 million), however the funds are considered restricted cash, and not reflected in the consolidated financial statements.

C. **Construction of Elmira:** Per review of the CIM and dataroom materials, it appears that approximately $3 million in total was been committed to the construction of the Elmira transfer station. As of September 25, 2019, Management has stated the construction in process balance related to Elmira construction is $2,685,247.

D. **Related party/non-offsetting intercompany balances:** As noted in the net working capital section, we are unable to identify all related party transactions and non-offsetting intercompany balances in each period. Client should consider these balances as debt-like.

E. **Charlevoix fire and insurance payout:** Management represented there is an expected insurance payout relating to a fire at the Charlevoix site, that could be used towards other sites. Management estimated the recovery to be approximately $200,000, however the expected timing of the recovery was not confirmed.

F. **One-time incentive compensation on transaction close:** Management represented that transaction-related bonuses have been agreed to with a Senior Supervisor and a Senior Manager / General Manager. Client may wish to consider these bonuses as debt-like items.

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Appendix

1. Engagement letter procedures
2. Reconciliations
   a) Reviewed / audited financial statements
   b) VDD report
3. Consolidating Business, Combined and Company financial statements
4. QofE – Combined to Business reported EBITDA bridge
5. QofE other consideration - Closing of branches
6. Divisional analysis
   a) Business and transaction overview
   b) Revenue, combined by operating division
   c) EBITDA before reporting adjustments by operating division

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Engagement letter procedures (1)

SCOPE OF DUE DILIGENCE ASSISTANCE SERVICES

Financial Due Diligence Assistance Services

Unless otherwise noted, our work will concentrate on the Target's financial information for the last two fiscal years (FY17 and FY18) along with the most recent available financial information for fiscal 2019 (to analyze trailing twelve month period) and 2019 forecast

Summary of Activities

- Read materials provided by you, the Target and its advisors. Our focus will primarily be on items with an apparent financial accounting impact.
- Review the sell-side due diligence report for Target.
- Submit written follow-up questions if the Company provides an opportunity to do so and read Target's responses to our questions.
- Participate in follow-up calls with Target's management team.
- Coordinate our activities with other advisors.
- Report our findings to you at the completion of the project in a summary PowerPoint based report.

1. **Financial Statement / Accounting Overview** - Understand the Target's financial statement preparation process including:
   - Cash vs. accrual accounting (if required);
   - Revenue recognition policy;
   - Basis for cost allocations between sites/segments and parent/affiliates, if any;
   - Significant accounting estimates;
   - Recent or contemplated changes in accounting principles, procedures, or estimates; and
   - Understanding the customer contracting, revenue reporting, billing, and cash recovery.
2. **Quality of Earnings** - Propose potential adjustments to historical earnings before interest, taxes, depreciation, and amortization ("EBITDA"), presented at the division and consolidated levels, by considering:
   - Normalization adjustments identified by management;
   - The impact of significant new, lost or changed (i.e. changes in contract rates) customers contracts;
   - The impact of related party transactions, if any;
   - The impact of provisions, estimates, or adjusting entries on the reported results;
   - The findings from the sell-side due diligence report, if any;
   - The impact of foreign exchange rates, and related hedge contracts, if any;
   - The impact of changes in key commodity indices;
   - The impact of market disruptions on recycled waste (i.e. China's 2017 ban on waste imports) on historical EBITDA;
   - Large, unusual or non-recurring events or transactions that may have distorted results (i.e. under-delivery penalties);
   - The impact of non-cash items (i.e. unrealized gains or releases of reserves) on the reported results; and
   - Other potential items discovered in the due diligence.
3. **Sales and Margin Trends** – Use our Strategic Profitability Insights ("SPI") tool and discuss with management to gain an understanding of the major trends in sales and profitability (to the extent available) specifically addressing the following:
   - Revenue and margin by i) type (i.e. Industrial services, waste collection and hauling services, transfer station, recycling materials, landfill services, etc.), and by ii) location;
   - Revenue and margin by contractual status (i.e. Disposal – contracted/non-contracted, Environmental and Industrial Services – contracted/ non-contracted, etc.)
   - Major customer wins and losses;
   - Open market versus restricted pricing mix and trends;
   - Target's ability to pass through price increases/decreases to its customers; and
   - Summarize the key expiry period for significant contracts/PPAs.
4. **Other Financial Performance Drivers** - Obtain and read information to support the relevance of the information provided in the data room including:
   - Trends for key components within reported operating expenses;
   - Administration expenses;
   - Employee compensation and related costs by function;
   - Insurance expenses;
   - Key revenue and expense line items to relevant performance indicators (e.g. MSW tons received, gallons received, average annual ticket);
   - Fixed versus variable cost components;
   - Fleet costs (i.e. fuel, repair, driver cost, insurance, leased versus owned);
   - Other operating expense;
   - Unusual and extraordinary items; and
   - General income statement fluctuations.
5. **Financial projections** - Obtain and read Management's 2019 budget, and:

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Engagement letter procedures (2)

- Enquire and describe Target's reasons for, and methodologies used in, developing the forecasts and projections;
- Analyze, compare and comment on, the trading performance in the most-recent year-to-date FY19 performance against the prior year and budget;
- Enquire about and describe the significant assumptions used by Target in developing the FY19 budget and forecasts. Compare the significant assumptions used to the historical results for those items and to current signed material contracts and on existing initiatives.
- Comment on Management's run-rate EBITDA, including actual, budgeted, and forecast results and Management adjustments.

6. **Working Capital** - Obtain details of the Company's historical monthly working capital and inquire about:
   - Working capital composition (including analysis of accounts receivable, inventory, prepaid expenses, accounts payable, accrued liabilities, and deferred revenue);
   - Potential adjustments that may impact historical working capital trends (e.g. change in payment terms and/or one-off/non-recurring items);
   - Seasonality and behavior of working capital.
   - Obtain and read an analysis of Target's accounts receivable and inquire about:
     - Trade and non-trade balances;
     - Aging analysis and turnover analysis; and,
     - Allowance for uncollectible accounts and write-offs.
   - Obtain and read an analysis of Target's accounts payable and accrued liabilities and inquire about:
     - Accounts payable aging and days outstanding;
     - Accrued liabilities;
     - Deferred revenue;
     - Supplier settlement terms; and
     - Other current and non-current liabilities.
   - Obtain and read an analysis of Target's other assets (including prepaid expenses and finance lease) and liabilities and inquire about:
     - Unusual trends; and
     - Timing of realization, as applicable.
7. **Capital expenditure and fixed assets** – Obtain and read an analysis of historic and future capital cost requirements including:
   - Maintenance versus growth capital expenditures;
   - Other historical, deferred, and planned capital expenditures;
   - Historical replacement cycle and costs;
   - Average fleet life;
   - Average historical purchase price;
   - Impairment write-downs and other issues;
   - Analysis of goodwill balance from historical acquisitions; and
   - Comment on carrying amount of PP&E and depreciation policy.
8. **Commitments and Contingencies** – Inquire about significant commitments / contingent liabilities including:
   - Committed capital expenditures, including recent monthly spending versus budget;
   - Off-balance sheet liabilities;
   - Purchase commitments;
   - Operating and capital leases;
   - Earn-out arrangements and commitments relating to previous acquisitions;
   - Incentive compensation and employee benefit obligations;
   - Expected or contingent liabilities (e.g. environmental, litigation, regulatory and tax); and
   - Pending or threatened litigation or investigations.
9. **Net Debt / Debt-Like items**
   - Summarize and comment on net debt items presented by management and other potential debt-like items that fall within the transaction perimeter, including Asset Retirement Obligation and other potential environmental liabilities.

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Reconciliation to reviewed / audited FS - Income statement

The table below reconciles the reviewed income statement for FY17 and audited income statement for FY18 for American Waste, Inc. and Affiliates to the Company's internal trial balances used to prepare the baseline analysis.

Combined income statement to reviewed / audited FS reconciliation

	FY17			FY18		
$'000	**Internal**	**Variance**	**Reviewed**	**Internal**	**Variance**	**Audited**
Total revenues	93,594	(5,915)	87,679	104,690	(7,910)	96,780
Operating expenses	(67,047)	3,722	(63,325)	(84,263)	13,148	(71,115)
Gross profit	26,547	(2,193)	24,354	20,428	5,238	25,666
G&A expenses	(14,729)	3,405	(11,323)	(5,095)	(5,681)	(10,776)
Income from operations	11,819	1,212	13,031	15,333	(444)	14,889
Other income (expense), net	(368)	(1,565)	(1,933)	34	90	125
Net income, including noncontrolling interests	**11,450**	**(353)**	**11,098**	**15,367**	**(353)**	**15,014**

The internal income statement presented here is gross vs. the reviewed / audited income statement is net of intercompany eliminations and adjustments, resulting in the variances noted in revenue and expense accounts.

Management represented that the variance relates to the depreciation expense for the Wexford disposal well asset, which is excluded from the trial balance and included as a top-side adjustment entry. We noted that this entry has no impact to reported EBITDA as depreciation expense is a definitional add-back.

Note: The internal numbers presented above are gross of intercompany eliminations and adjustments.
Source: Management provided information; KPMG analysis.

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Reconciliation to audited FS - Balance sheet

The table below reconciles the reviewed balance sheet as at 31-Dec-18 to the Company's internal trial balances for the combined results. Variances below relate to balance sheet reclassifications outside of net working capital.

Combined balance to audited FS reconciliation

	As at 31-Dec-18		
$'000	**Internal**	**Variance**	**Audited**
Cash	497	(0)	497
Accounts receivable, net	10,514	(0)	10,514
Due from related parties	(3,857)	4,912	1,056
Employee loans	103	(0)	103
Prepaid expenses	2,955	2	2,956
Inventory	44	0	44
Other current assets	9	0	9
Current assets	10,265	4,914	15,179
Property and equipment, net	64,615	353	64,968
Note receivable from shareholder	2,907	(0)	2,907
Note receivable other	229	0	229
Investment in Northeastern exploration	-	-	-
Investment in Hazar-Bestos corporation	0	(0)	-
Investment in and advances to unconsollidated affiliate	3,538	-	3,538
Intangibles, net	9,654	(2)	9,652
Total long-term assets	80,943	351	81,294
Total assets	**91,208**	**5,265**	**96,473**
Short term bank borrowings	(1,800)	-	(1,800)
Accounts payable	(6,476)	0	(6,475)
Accrued payroll and related expenses	(2,328)	0	(2,328)
Deferred revenue	(8)	0	(8)
Current portion of long term debt	50	(1,866)	(1,816)
Current portion of capital lease obligations	(2,886)	-	(2,886)
Due to related parties	4,920	(4,920)	-
Other current liabilities	(35)	7	(28)
Current liabilities	(8,563)	(6,778)	(15,341)
Long term debt, net of current portion	(9,338)	1,866	(7,472)
Capital lease obligations, net of current portion	(4,598)	(0)	(4,598)
Landfill retirement obligation	(6,296)	0	(6,296)
Long-term liabilities	(20,232)	1,866	(18,367)
Total liabilities	**(28,795)**	**(4,912)**	**(33,707)**
Total equity	**(62,765)**	**(0)**	**(62,765)**
Total liabilities and equity	**(91,560)**	**(4,912)**	**(96,473)**

Note: The internal numbers presented above are net of intercompany eliminations and adjustments.
Source: Management provided information; KPMG analysis.

Management represented the variance is related to the accumulated depreciation for the Wexford disposal well asset, which is excluded from the trial balance and recorded as a top-side adjustment entry. This balance is driving the variance between total assets and total liabilities and equity on the internal balance sheet.

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Reconciliation to VDD report - Income statement

The table below reconciles the consolidated income statement per the VDD quality of earnings report to the Company's internal trial balances for the combined results.

Combined income statement to VDD reconciliation

	FY17			FY18			TTM Jun-19		
$'000	**Internal**	**Variance**	**VDD**	**Internal**	**Variance**	**VDD**	**Internal**	**Variance**	**VDD**
Total revenues	93,594	(5,915)	87,679	104,690	(7,910)	96,780	110,460	(7,807)	102,653
Operating expenses	(67,047)	3,722	(63,325)	(84,263)	13,148	(71,115)	(85,323)	13,934	(71,389)
Gross profit	26,547	(2,193)	24,354	20,428	5,238	25,666	25,136	6,127	31,264
General and administrative expenses	(14,729)	3,405	(11,323)	(5,095)	(5,681)	(10,776)	(5,074)	(6,213)	(11,287)
Income from operations	11,819	1,212	13,031	15,333	(444)	14,889	20,062	(85)	19,977
Other income (expense), net	(368)	(1,565)	(1,933)	34	90	125	178	(163)	14
Net income, including noncontrolling interests	11,450	(353)	11,098	15,367	(353)	15,014	20,240	(248)	19,991
Interest	879	0	879	878	0	878	905	(13)	892
Depreciation and amortization	12,591	353	12,944	13,369	353	13,722	13,048	(14)	13,034
Definitional EBITDA	24,920	(0)	24,920	29,615	(0)	29,614	34,193	(276)	33,917
Other income (expense), net, excluding interest expense and gain on sale of assets	1,821	(3)	1,818	(54)	3	(51)	(133)	303	171
Reported EBITDA	26,741	(3)	26,737	29,561	2	29,563	34,060	27	34,087
VDD adjustments	3,647	(0)	3,647	4,015	10	4,025	4,431	(65)	4,366
EBITDA, VDD adjusted	**30,388**	**(3)**	**30,385**	**33,576**	**12**	**33,588**	**38,491**	**(38)**	**38,453**

Note: The internal numbers presented above are gross of intercompany eliminations and adjustments.
Source: Management provided information; KPMG analysis.

The internal income statement presented here is gross vs. the VDD income statement is net of intercompany eliminations and adjustments, resulting in the variances noted in revenue and expense accounts.

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Reconciliation to VDD report - Balance sheet

The table below reconciles the consolidated income statement per the VDD quality of earnings report to the Company's internal trial balances for the combined results. Variances below relate to balance sheet reclassifications outside of net working capital.

Reconciliation to VDD report - Balance sheet

	As at 31-Dec-18			As at 30-Apr-19		
$'000	**Internal**	**Variance**	**VDD**	**Internal**	**Variance**	**VDD**
Cash	497	0	497	(434)	(0)	(434)
Accounts receivable, net	10,514	1,727	8,787	11,665	1,669	9,996
Due from related parties	(3,857)	(4,912)	1,056	3,683	1,964	1,719
Employee loans	103	0	103	94	-	94
Prepaid expenses	2,955	(2)	2,956	2,031	15	2,017
Inventory	44	(0)	44	64	-	64
Other current assets	9	(0)	9	9	9	-
Current assets	10,265	(3,187)	13,452	17,111	3,656	13,456
Note receivable from shareholder	2,907	0	2,907	2,782	-	2,782
Note receivable other	229	(0)	229	229	-	229
Investment in Excel Site Rentals, LLC	-	(3,538)	3,538	3,501	438	3,063
Intangibles, net	-	(9,652)	9,652	9,596	(9)	9,605
Property and equipment, net	-	(61,368)	61,368	62,819	2,714	60,104
Total long-term assets	3,135	(74,559)	77,694	78,926	3,144	75,783
Total assets	**13,400**	**(77,746)**	**91,146**	**96,038**	**6,799**	**89,238**
Accounts payable	(6,476)	(0)	(6,475)	(3,530)	0	(3,530)
Accrued contract labor and related expenses	(2,328)	(0)	(2,328)	(1,766)	-	(1,766)
Deferred revenue	(8)	(0)	(8)	(1,680)	-	(1,680)
Line of credit	(1,800)	-	(1,800)	(4,690)	-	(4,690)
Due to related parties	4,920	4,920	-	(2,401)	(2,401)	-
Current portion of long-term notes payable	50	1,866	(1,816)	(4,680)	(2,865)	(1,816)
Current portion of capital lease obligations	(2,886)	-	(2,886)	-	2,886	(2,886)
Other current liabilities	(35)	(7)	(28)	(83)	(9)	(74)
Current liabilities	(8,563)	6,778	(15,341)	(18,831)	(2,390)	(16,441)
Notes payable, net of current portion	(9,338)	(1,866)	(7,472)	(5,692)	2,865	(8,557)
Capital lease obligations, net of current portion	(4,598)	0	(4,598)	(6,356)	(2,899)	(3,458)
Landfill retirement obligation	(6,296)	(0)	(6,296)	(6,401)	-	(6,401)
Long-term liabilities	(20,232)	(1,866)	(18,367)	(18,450)	(34)	(18,416)
Total liabilities	(28,795)	4,912	(33,707)	(37,281)	(2,424)	(34,857)
Total equity	(62,765)	(5,327)	(57,439)	(58,757)	(4,375)	(54,382)
Total liabilities and equity	**(91,560)**	**(414)**	**(91,146)**	**(96,038)**	**(6,799)**	**(89,238)**

Note: The internal numbers presented above are net of intercompany eliminations, adjustments, and carve-out exclusions.
Source: Management provided information; KPMG analysis.

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Reconciliation to VDD report - Income statement - Pennsylvania

The table below reconciles the Pennsylvania income statement per the VDD quality of earnings report to the Company's internal trial balances.

Pennsylvania income statement to VDD reconciliation

	FY17			FY18		
$'000	**Internal**	**Variance**	**VDD**	**Internal**	**Variance**	**VDD**
Total revenues	5,491	(0)	5,491	9,304	0	9,304
Operating expenses	(5,765)	(1)	(5,765)	(9,917)	(2,486)	(7,432)
Gross profit	(274)	(1)	(273)	(613)	(2,486)	1,872
G&A expenses	(592)	(8)	(583)	1,985	2,458	(474)
Income from operations	(866)	(9)	(857)	1,371	(27)	1,399
Other income (expense), net	(244)	(325)	81	(386)	(359)	(27)
Net Income, including noncontrolling interets	(1,109)	(334)	(776)	985	(386)	1,371
Interest	9	(0)	9	27	0	27
Depreciation and amortization	1,473	-	1,473	1,100	-	1,100
EBITDA, reported	**373**	**(334)**	**707**	**2,112**	**(386)**	**2,499**

Variance results from an intercompany admin fee recorded in PA. This amount is offset against intercompany admin income recorded in AWI. For the purposes of the carve-out of PA operations, this amount was eliminated in the VDD report vs. reported gross in the trial balance.

Note: The internal numbers presented above are gross of intercompany eliminations and adjustments.
Source: Management provided information; KPMG analysis.

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Consolidating income statement - Business

Consolidating income statement - Business			
	Unaudited		
$'000	FY17	FY18	TTM Jun-19
Revenue	93,594	104,690	110,460
Direct costs	(57,424)	(71,698)	(72,738)
Indirect costs	(9,623)	(12,564)	(12,586)
Gross profit	**26,547**	**20,428**	**25,136**
General & administrative costs	(14,729)	(5,095)	(5,074)
Other income & expense	(368)	34	178
Net Income	**11,450**	**15,367**	**20,240**
EBITDA calculation:		-	-
Depreciation expense	12,591	13,369	13,048
Loan interest	879	878	905
EBITDA, before reporting adjustments	**24,920**	**29,615**	**34,193**
Reconciliation to QofE table:			
Net sales, Aircraft	(17)	(7)	(11)
Reporting adjustments	1,505	(4)	(13)
Net sales, reported	**95,083**	**104,680**	**110,436**
Aircraft EBITDA	259	342	320
Reporting adjustments	1,821	(54)	(133)
EBITDA, reported	**27,000**	**29,903**	**34,379**

Note: The reported numbers presented above are gross of intercompany eliminations and adjustments.
Source: Management's internal trial balances, information provided by Management

The above income statement of the Business includes Aircraft as a detailed income statement was not provided for this division. We have removed Aircraft on a total net sales and EBITDA level using numbers provided by Rehmann LLC as detailed under the "Reconciliation to the QofE table" heading.

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Consolidating balance sheet - Business

Balance sheet - Business	Combined, reported		Carve out adjustments		Unaudited	
	As at		As at		As at	
$'000	31-Dec-18	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18	30-Jun-19
Assets						
Cash	(460)	1,430	-	-	(460)	1,430
Accounts receivable, net	10,762	13,603	-	-	10,762	13,603
Prepaid expenses	2,955	1,831	-	-	2,955	1,831
Inventory	44	88	-	-	44	88
Due from related parties	4,873	5,734	-	-	4,873	5,734
Employee loans	103	95	-	-	103	95
Current assets	18,277	22,781	-	-	18,277	22,781
Property and equipment, net	62,792	64,411	(166)	(165)	62,626	64,247
Note receivable - shareholder	2,907	2,782	-	-	2,907	2,782
Note receivable - other	229	229	-	-	229	229
Other current assets	9	9	-	-	9	9
Hazar-Bestos corp purchase	1,519	1,519	-	-	1,519	1,519
NE investment	6,000	6,000	-	-	6,000	6,000
Investment in unconsolidated affiliate	3,538	3,413	-	-	3,538	3,413
Intangibles, net	9,654	9,568	-	-	9,654	9,568
Other assets	23,855	23,519	-	-	23,855	23,519
Assets	**104,924**	**110,711**	**(166)**	**(165)**	**104,758**	**110,547**
Liabilities and shareholders' equity						
Accounts payable	(5,767)	(7,364)	-	-	(5,767)	(7,364)
Deferred revenue	(8)	(8)	-	-	(8)	(8)
Other current liabilities	(35)	(59)	-	-	(35)	(59)
Accrued expenses	(2,328)	(2,394)	-	-	(2,328)	(2,394)
Due to related parties	(3,810)	(1,887)	-	-	(3,810)	(1,887)
Current portion of long-term notes payable	(4,680)	(4,680)	-	-	(4,680)	(4,680)
Current liabilities	(16,628)	(16,392)	-	-	(16,628)	(16,392)
Line of Credit	(1,800)	(3,410)	-	-	(1,800)	(3,410)
Notes payable, net of current portion	(4,608)	(9,136)	-	-	(4,608)	(9,136)
Capital lease obligations, net of current portion	(7,484)	(6,013)	-	-	(7,484)	(6,013)
Landfill retirement obligation	(6,296)	(6,454)	-	-	(6,296)	(6,454)
Long-term debt	(20,188)	(25,012)	-	-	(20,188)	(25,012)
Liabilities	**(36,816)**	**(41,405)**	**-**	**-**	**(36,816)**	**(41,405)**
Equity	(68,109)	(69,306)	166	165	(67,943)	(69,142)
Liabilities and shareholders' equity	**(104,925)**	**(110,711)**	**166**	**165**	**(104,758)**	**(110,547)**

Note: The reported numbers presented above are gross of intercompany eliminations and adjustments.
Source: Management's internal trial balances, information provided by Management

The adjacent balance sheet of the Business excludes Aircraft operations per carve-out adjustments provided by the VDD advisors.

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Consolidating balance sheet - Company

Balance Sheet - Company								
	Unaudited							
	As at 31-Dec-18				As at 30-Jun-19			
$'000	Combined	ElimCo.	Adjustments and reclasses	31-Dec-18	Combined	ElimCo.	Adjustments and reclasses	30-Jun-19
Assets								
Cash	(460)	-	957	497	1,430	-	-	1,430
Accounts receivable, net	10,762	(248)	-	10,514	13,603	-	-	13,603
Prepaid expenses	2,955	-	-	2,955	1,831	-	-	1,831
Inventory	44	-	-	44	88	-	-	88
Due from related parties	4,873	(10,316)	1,586	(3,857)	5,734	-	-	5,734
Employee Loans	103	-	-	103	95	-	-	95
Current assets	18,277	(10,564)	2,543	10,256	22,781	-	-	22,781
Property and equipment, net	62,792	1,823	-	64,615	64,411	-	-	64,411
Note receivable - shareholder	2,907	-	-	2,907	2,782	-	-	2,782
Note receivable - other	229	-	-	229	229	-	-	229
Other current assets	9	-	-	9	9	-	-	9
Hazar-Bestos corp purchase	1,519	(1,519)	-	0	1,519	(1,519)	-	-
NE investment	6,000	(6,000)	-	-	6,000	(6,000)	-	-
Investment in unconsolidated affiliate	3,538	-	-	3,538	3,413	-	-	3,413
Intangibles, net	9,654	-	-	9,654	9,568	-	-	9,568
Other assets	23,855	(7,519)	-	16,336	23,519	(7,519)	-	16,000
Assets	**104,924**	**(16,260)**	**2,543**	**91,208**	**110,711**	**(7,519)**	**-**	**103,192**
Liabilities and shareholders' equity								
Accounts payable	(5,767)	248	(957)	(6,476)	(7,364)	-	-	(7,364)
Deferred revenue	(8)	-	-	(8)	(8)	-	-	(8)
Other current liabilities	(35)	-	(2,886)	(2,921)	(59)	-	-	(59)
Accrued expenses	(2,328)	-	-	(2,328)	(2,394)	-	-	(2,394)
Due to related parties	(3,810)	10,316	(1,586)	4,920	(1,887)	-	-	(1,887)
Current portion of long-term notes payable	(4,680)	-	4,730	50	(4,680)	-	-	(4,680)
Current liabilities	(16,628)	10,564	(699)	(6,763)	(16,392)	-	-	(16,392)
Line of Credit	(1,800)	-	-	(1,800)	(3,410)	-	-	(3,410)
Notes payable, net of current portion	(4,608)	-	(4,730)	(9,338)	(9,136)	-	-	(9,136)
Capital lease obligations, net of current portion	(7,484)	-	2,886	(4,598)	(6,013)	-	-	(6,013)
Landfill retirement obligation	(6,296)	-	-	(6,296)	(6,454)	-	-	(6,454)
Long-term debt	(20,188)	-	(1,845)	(22,032)	(25,012)	-	-	(25,012)
Liabilities	**(36,816)**	**10,564**	**(2,543)**	**(28,795)**	**(41,405)**	**-**	**-**	**(41,405)**
Equity	(68,109)	5,344	-	(62,765)	(69,306)	7,519	-	(61,787)
Liabilities and shareholders' equity	**(104,925)**	**15,908**	**(2,543)**	**(91,560)**	**(110,711)**	**7,519**	**-**	**(103,192)**

Note: The reported numbers presented above are net of intercompany eliminations and adjustments.
Source: Management's internal trial balances, information provided by Management

The adjacent balance sheet bridges the combined results to Company's balance sheet by adding eliminations, adjustments, and reclasses.

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Combined Company's reported financial statements

Combined - Income statement

$'000	Unaudited FY17	FY18	TTM Jun-19
Revenue	93,594	104,690	110,460
Direct costs	(57,424)	(71,698)	(72,738)
Indirect costs	(9,623)	(12,564)	(12,586)
Gross profit	**26,547**	**20,428**	**25,136**
General & administrative costs	(14,729)	(5,095)	(5,074)
Other income & expense	(368)	34	178
Net Income	**11,450**	**15,367**	**20,240**
EBITDA calculation:			
Depreciation expense	12,591	13,369	13,048
Loan interest	879	878	905
EBITDA, reported	**24,920**	**29,615**	**34,193**

Note: The reported numbers presented above are gross of intercompany eliminations and adjustments.
Source: Management's internal trial balances, information provided by Management

The above tables reflect the combined financial results of American Waste, Inc. and Affiliates for FY17, FY18 and TTM Jun-19. These statements include entities outside the transaction perimeter. Please refer to the executive summary for the financial results of the Business.

Combined - Balance sheet

$'000	Unaudited As at 31-Dec-18	As at 30-Jun-19	Average FY18	Average TTM Jun-19
Assets				
Cash	(460)	1,430	614	478
Accounts receivable, net	10,762	13,603	10,791	11,626
Prepaid expenses	2,955	1,831	1,466	1,711
Inventory	44	88	63	67
Due from related parties	4,873	5,734	7,176	5,184
Employee loans	103	95	115	101
Current assets	18,277	22,781	20,227	19,166
Property and equipment, net	62,792	64,411	62,092	63,018
Note receivable - shareholder	2,907	2,782	3,226	2,926
Note receivable - other	229	229	57	172
Other current assets	9	9	16	10
Hazar-Bestos corp purchase	1,519	1,519	1,393	1,519
NE investment	6,000	6,000	6,000	6,000
Investment in unconsolidated affiliate	3,538	3,413	3,256	3,395
Intangibles, net	9,654	9,568	9,283	9,535
Other assets	23,855	23,519	23,230	23,557
Assets	**104,924**	**110,711**	**105,549**	**105,741**
Liabilities and shareholders' equity				
Accounts payable	(5,767)	(7,364)	(4,545)	(4,712)
Deferred revenue	(8)	(8)	(854)	(895)
Other current liabilities	(35)	(59)	(120)	(78)
Accrued expenses	(2,328)	(2,394)	(2,184)	(2,113)
Due to related parties	(3,810)	(1,887)	(5,864)	(3,623)
Current portion of long-term notes payable	(4,680)	(4,680)	(6,390)	(5,458)
Current liabilities	(16,628)	(16,392)	(19,957)	(16,879)
Line of credit	(1,800)	(3,410)	(3,993)	(2,615)
Notes payable, net of current portion	(4,608)	(9,136)	(2,671)	(4,551)
Capital lease obligations, net of current portion	(7,484)	(6,013)	(11,817)	(8,143)
Landfill retirement obligation	(6,296)	(6,454)	(5,655)	(6,593)
Long-term debt	(20,188)	(25,012)	(24,136)	(21,902)
Liabilities	**(36,816)**	**(41,405)**	**(44,094)**	**(38,782)**
Equity	(68,109)	(69,306)	(61,458)	(66,960)
Liabilities and shareholders' equity	**(104,925)**	**(110,711)**	**(105,552)**	**(105,741)**

Note: The reported numbers presented above are gross of intercompany eliminations and adjustments.
Source: Management's internal trial balances, information provided by Management

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QofE - Combined to Business reported EBITDA bridge

Quality of earnings - Business			
$'000	FY17	FY18	TTM Jun-19
Net sales, combined	**93,594**	**104,690**	**110,460**
Add/(deduct)			
Net sales, Aircraft	(17)	(7)	(11)
Carve-out adjustments	(17)	(7)	(11)
Equity interest in unconsolidated entity	1,505	(4)	(13)
Reporting adjustments	1,505	(4)	(13)
Net sales, reported	**95,083**	**104,680**	**110,436**
Potential adjustments	161	(168)	(483)
Net sales, potentially adjusted	**95,243**	**104,512**	**109,953**
Net income, combined, including income attributable to NCI	**11,450**	**15,367**	**20,240**
EBITDA, combined	**24,920**	**29,615**	**34,193**
EBITDA margin, combined	*26.6%*	*28.3%*	*31.0%*
Add/(deduct)			
EBITDA, Aircraft	259	342	320
Carve-out adjustments	259	342	320
Other income & expense	316	(50)	(120)
Equity interest in unconsolidated entity	1,505	(4)	(13)
Reporting adjustments	1,821	(54)	(133)
EBITDA, reported	**27,000**	**29,903**	**34,379**
EBITDA margin, reported	*28.4%*	*28.6%*	*31.1%*

Source: Management provided information; KPMG analysis.

Reported EBITDA bridge

- The combined Company to Business reported EBITDA bridge comprises of the following adjustments:
  - **EBITDA, combined:** Reflects the Company's combined net income and includes definitional add-backs (i.e. interest expenses, depreciation and amortization);
  - **Carve out adjustments:** Removes the EBITDA for Aircraft operations, which are not included in the transaction perimeter.
  - **Reporting adjustments:** Adjusts for accretion expense, miscellaneous income, interest income and equity in net income or loss of unconsolidated affiliate (Excel Site Rentals, LLC), an entity outside the transaction perimeter.
  - **EBITDA, reported:** Represents the reported EBITDA of the Business as presented in the VDD quality of earnings report, which excludes the above two divisions and is adjusted for the reporting adjustments.

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QofE other consideration - Closing of branches

Closing of branches - Charlevoix and Gaylord			
$'000	FY17	FY18	TTM Jun-19
Transportation savings	-	250	250
Internalization of volume savings	-	190	190
Less: Increased fuel and R&M costs	[ ]	[ ]	[ ]
Less: Cost to transfer to Elmira	[ ]	[ ]	[ ]
Add: Other potential savings	[ ]	[ ]	[ ]

Source: Management provided information; Client provided information; KPMG analysis.

Trucking savings related to Elmira facility		
$	Annualized run rate	
Estimated tons/year	25,000	A
Tons per working day	96	B = A / 260
Tons per load	8	C
Number of daily loads	12	D = B / C
Hours per load saved	1	E
Hours saved per day	12	F = D * E
Hours saved per year	3,125	G = F * 260
Hourly rate	80	H
Savings per year	**250,000**	I = G * H

Source: Management provided information; KPMG analysis.

Trucking savings illustrative estimate based on shorter distance between Gaylord to Elmira versus Gaylord to competitor's landfill in Waters, MI. Estimate of tons provided by Management, and tons per load estimated based on industry knowledge of average capacity of trucks used.

Internalization of volume savings		
$	Annualized run rate	
Estimated tons/year	25,000	A
8 axle capacity (tons)	38	J
Number of loads	658	K = A / J
Cost per load	400	L
Total transportation cost	263,158	M = K * L
Transportation cost per ton	10.5	N = M / A
Cost to bury (per ton)	7.0	O
Total blended cost per ton	17.5	P = N + O
3rd party disposal cost per ton	25	Q
Estimated T&D savings per ton	7.6	R = Q - P
Estimated T&D savings per year	**190,092**	S = R * A

Source: Management provided information; Client provided information; KPMG analysis.

Internalization of volume savings illustrative estimate based on Client's estimated cost per ton to transport the incremental Gaylord volume from Elmira to Wexford, and Client's estimated cost to bury at Wexford versus disposal fees per ton at competitor's landfill.

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Business and transaction overview

The table below presents the summary of entities within the transaction perimeter.

Entity	Purpose	Key operational assets as at 31-Dec-18	TTM Jun-19 (unaudited) Key financials, prior to intercompany eliminations
American Waste Inc.	■ Waste collection for residential and commercial customers ■ Operation of four transfer stations and two material recovery facilities for recyclable materials ■ Environmental and industrial services including industrial cleaning, liquid and hazardous waste removal	■ Fleet of 150+ service trucks, heavy equipment, and containers	■ Total assets: $88.0 million ■ Net sales: $93.8 million ■ Net income: $15.5 million ■ EBITDA, reported: $27.6 million
American Waste Arrow, Inc.	■ Waste collection for residential customers in Gaylord area	■ Fleet of ~20 service trucks	■ Total assets: $3.7 million ■ Net sales: $3.7 million ■ Net income: $741,000 ■ EBITDA, reported: $1.2 million
Wexford County Landfill, LLC	■ Operation of Wexford County Landfill for intercompany and third-party waste disposal	■ Heavy equipment: compactors, glass flare system, dozers, loaders, evaporators ■ 19 million cubic yards in landfill volume available ■ Class 1 injection well (as at 30-June-19)	■ Total assets: $15.2 million ■ Net sales: $8.1 million ■ Net income: $3.2 million ■ EBITDA, reported: $4.5 million
Northeastern Exploration, Inc.	■ Disposal of commercial waste from off-site generators and industrial sources	■ Class 1 injection well	■ Total assets: $561,000 ■ Net sales: $535,000 ■ Net income: $332,000 ■ EBITDA, reported: $346,000
Hazar-Bestos Corporation	■ Asbestos cleaning and removal services	■ Environmental tools and equipment	■ Total assets:$3.2 million ■ Net sales: $4.2 million ■ Net income: $457,000 ■ EBITDA, reported: $558,000

Note: The reported numbers presented above represent the combined results of the Company and include divisions / entities that are not in the transaction perimeter. In addition, the amounts are gross of intercompany eliminations and adjustments.

Source: Management provided information

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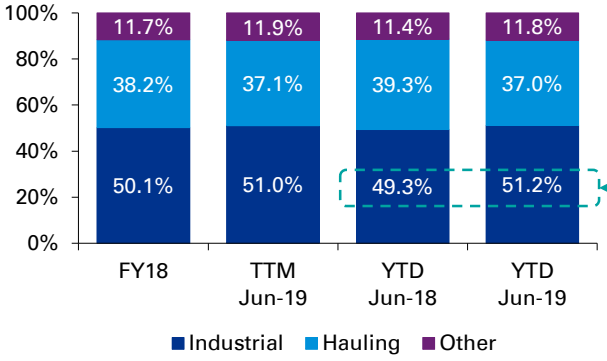
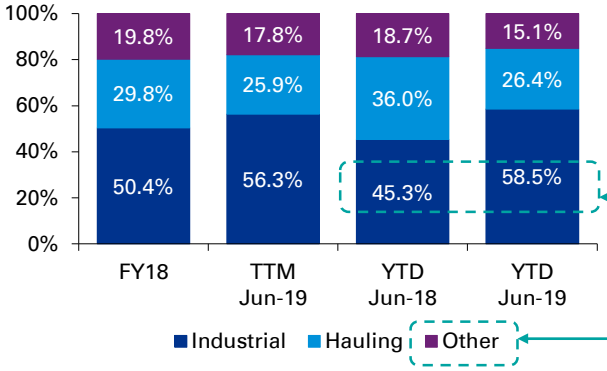
Illustrative operating division performance

Operating divisions as a % of revenue



The Company's Industrial division increased its revenue contribution from 49.3% YTD Jun-18 to 51.2% Jun-19. The increase in share of revenue is driven by contribution from Pennsylvania Northern A-1, Bear Lake, Kalamazoo, Whitehall Industrial, and SWD Specialties locations.

Operating divisions as a % of EBITDA



The Company's Industrial division increased its EBITDA contribution from 45.3% YTD Jun-18 to 58.5% YTD Jun-19. The increase in share of EBITDA is driven by a 10.9% increase in EBITDA contribution from Northern A-1 from YTD Jun-18 to YTD Jun-19. Northern A-1's EBITDA margin increased from 18.9% to 39.5% during the same period.

'Other' represents locations Wexford, Northeastern Exploration, Administration, Car wash, Hazar-Bestos Corporation.

Source: Management provided divisional P&L; KPMG analysis
Note: The Wexford Landfill LLC entity P&L is used in place of the Wexford location P&L, due to large unadjusted balances in Dec-18. Aircraft P&L is included in the above charts as we did not receive a monthly P&L to exclude it.

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Revenue, combined by operating division

Revenue - Operating division performance

$'000	FY18	TTM Jun-19	YTD Jun-18	YTD Jun-19	As a % revenue FY18	TTM Jun-19	YTD Jun-18	YTD Jun-19
Revenue								
Northern A-1	25,122	25,947	11,735	12,561	*24.1%*	*23.5%*	*24.3%*	*23.2%*
Pennsylvania Northern A-1	9,304	10,970	4,169	5,835	*8.9%*	*9.9%*	*8.6%*	*10.8%*
Bear Lake	2,239	2,594	868	1,223	*2.1%*	*2.4%*	*1.8%*	*2.3%*
Specialized Safety Services	229	226	110	107	*0.2%*	*0.2%*	*0.2%*	*0.2%*
SWD Specialities	1,446	1,773	556	883	*1.4%*	*1.6%*	*1.2%*	*1.6%*
Grand Haven	2,855	2,854	1,212	1,212	*2.7%*	*2.6%*	*2.5%*	*2.2%*
Kalamazoo	3,271	3,697	1,356	1,783	*3.1%*	*3.4%*	*2.8%*	*3.3%*
Whitehall Industrial	3,302	3,642	1,539	1,879	*3.2%*	*3.3%*	*3.2%*	*3.5%*
Whitehall Parts	4,591	4,604	2,284	2,297	*4.4%*	*4.2%*	*4.7%*	*4.2%*
Industrial	52,358	56,308	23,830	27,781	*50.1%*	*51.0%*	*49.3%*	*51.2%*
Kalkaska Hauling	2,319	2,038	1,130	849	*2.2%*	*1.8%*	*2.3%*	*1.6%*
Kalkaska Transfer Station	1,692	1,689	781	778	*1.6%*	*1.5%*	*1.6%*	*1.4%*
Traverse City Hauling	14,263	14,716	6,748	7,201	*13.7%*	*13.3%*	*14.0%*	*13.3%*
Traverse City MRF	5,515	5,340	2,730	2,555	*5.3%*	*4.8%*	*5.6%*	*4.7%*
Charlevoix Hauling	6,141	6,624	2,859	3,342	*5.9%*	*6.0%*	*5.9%*	*6.2%*
Gaylord Hauling	3,701	3,731	1,775	1,806	*3.5%*	*3.4%*	*3.7%*	*3.3%*
Cadillac Hauling	4,981	5,416	2,367	2,801	*4.8%*	*4.9%*	*4.9%*	*5.2%*
Harrison Hauling	1,253	1,412	579	738	*1.2%*	*1.3%*	*1.2%*	*1.4%*
Hauling	39,864	40,966	18,969	20,071	*38.2%*	*37.1%*	*39.3%*	*37.0%*
Wexford	8,030	8,119	3,531	3,620	*7.7%*	*7.4%*	*7.3%*	*6.7%*
Northeastern Exploration	526	535	271	281	*0.5%*	*0.5%*	*0.6%*	*0.5%*
Administration	55	104	-	49	*0.1%*	*0.1%*	-	*0.1%*
Hazar-Bestos Corporation	3,500	4,242	1,664	2,406	*3.4%*	*3.8%*	*3.4%*	*4.4%*
Car wash	98	92	55	49	*0.1%*	*0.1%*	*0.1%*	*0.1%*
Revenue, combined	**104,430**	**110,366**	**48,319**	**54,255**	***100.0%***	***100.0%***	***100.0%***	***100.0%***

Note: The reported numbers presented above are gross of intercompany eliminations and adjustments.
Source: Management's internal trial balances, information provided by Management

The above table presents operating division revenue and as a percentage of total revenue. Aircraft operations were not excluded in the above charts as we did not receive detail on which operating division the operations relate to. The Wexford Landfill LLC entity P&L is used in place of the Wexford operating division P&L, due to large unadjusted balances in Dec-18.

Revenue - Operating division P&Ls reconciliation to combined P&Ls

$'000	FY18	TTM Jun-19	YTD Jun-18	YTD Jun-19
Operating division P&Ls - Revenue				
American Waste	88,674	93,739	41,078	46,143
Northeastern Exploration	526	535	271	281
Wexford	8,030	8,119	3,531	3,620
Hazar-Bestos Corporation	3,500	4,242	1,664	2,406
American Waste Arrow	3,701	3,731	1,775	1,806
Revenue, combined	**104,430**	**110,366**	**48,319**	**54,255**
Combined Entity P&Ls - Revenue				
American Waste	88,917	93,832	41,244	46,159
Northeastern Exploration	543	535	288	281
Wexford	8,030	8,119	3,531	3,620
Hazar-Bestos Corporation	3,500	4,242	1,664	2,406
American Waste Arrow	3,701	3,732	1,775	1,806
Revenue, combined	**104,690**	**110,460**	**48,502**	**54,271**
Variance - Revenue				
American Waste	243	93	166	16
Northeastern Exploration	17	-	17	-
Wexford	-	-	-	-
Hazar-Bestos Corporation	-	-	-	-
American Waste Arrow	-	0	-	0
Revenue, combined	**260**	**94**	**183**	**16**

Note: The reported numbers presented above are gross of intercompany eliminations and adjustments.
Source: Management's internal trial balances, information provided by Management

The above table reconciles revenue per the operating division P&Ls to reported revenue per the entity P&Ls analysis. Management represented that the variances are due to year-end adjustments that are not recorded at the operating division P&L level.

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EBITDA before reporting adjustments by operating division

EBITDA - Operating division performance

$'000	FY18	TTM Jun-19	YTD Jun-18	YTD Jun-19	As a % EBITDA FY18	TTM Jun-19	YTD Jun-18	YTD Jun-19
EBITDA								
Northern A-1	6,812	9,555	2,217	4,960	*23.8%*	*28.5%*	*18.4%*	*29.3%*
Pennsylvania Northern A-1	2,109	3,128	854	1,872	*7.4%*	*9.3%*	*7.1%*	*11.1%*
Bear Lake	814	1,034	271	491	*2.8%*	*3.1%*	*2.3%*	*2.9%*
Specialized Safety Services	(829)	(781)	(418)	(371)	*(2.9%)*	*(2.3%)*	*(3.5%)*	*(2.2%)*
SWD Specialities	436	642	98	305	*1.5%*	*1.9%*	*0.8%*	*1.8%*
Grand Haven	635	703	174	242	*2.2%*	*2.1%*	*1.4%*	*1.4%*
Kalamazoo	1,617	1,539	857	779	*5.6%*	*4.6%*	*7.1%*	*4.6%*
Whitehall Industrial	1,047	1,397	471	821	*3.7%*	*4.2%*	*3.9%*	*4.8%*
Whitehall Parts	1,797	1,671	928	802	*6.3%*	*5.0%*	*7.7%*	*4.7%*
Industrial	14,438	18,886	5,453	9,901	*50.4%*	*56.3%*	*45.3%*	*58.5%*
Kalkaska Hauling	807	445	441	79	*2.8%*	*1.3%*	*3.7%*	*0.5%*
Kalkaska Transfer Station	80	(42)	56	(66)	*0.3%*	*(0.1%)*	*0.5%*	*(0.4%)*
Traverse City Hauling	1,575	2,118	721	1,264	*5.5%*	*6.3%*	*6.0%*	*7.5%*
Traverse City MRF	2,217	1,850	1,066	699	*7.7%*	*5.5%*	*8.9%*	*4.1%*
Charlevoix Hauling	1,107	1,394	666	952	*3.9%*	*4.2%*	*5.5%*	*5.6%*
Gaylord Hauling	1,221	1,182	570	531	*4.3%*	*3.5%*	*4.7%*	*3.1%*
Cadillac Hauling	1,392	1,489	737	834	*4.9%*	*4.4%*	*6.1%*	*4.9%*
Harrison Hauling	137	235	70	168	*0.5%*	*0.7%*	*0.6%*	*1.0%*
Hauling	8,536	8,672	4,326	4,462	*29.8%*	*25.9%*	*36.0%*	*26.4%*
Wexford	4,404	4,504	1,786	1,885	*15.4%*	*13.4%*	*14.8%*	*11.1%*
Northeastern Exploration	293	352	147	207	*1.0%*	*1.1%*	*1.2%*	*1.2%*
Administration	520	534	109	123	*1.8%*	*1.6%*	*0.9%*	*0.7%*
Hazar-Bestos Corporation	416	558	191	333	*1.5%*	*1.7%*	*1.6%*	*2.0%*
Car wash	32	26	20	14	*0.1%*	*0.1%*	*0.2%*	*0.1%*
EBITDA	**28,639**	**33,531**	**12,032**	**16,923**	***100.0%***	***100.0%***	***100.0%***	***100.0%***

Note: The reported numbers presented above are gross of intercompany eliminations and adjustments.
Source: Management's internal trial balances, information provided by Management

The above table presents operating division EBITDA and as a percentage of total EBITDA. Aircraft operations were not excluded in the above charts as we did not receive detail on which operating division the operations relate to. The Wexford Landfill LLC entity P&L is used in place of the Wexford operating division P&L, due to large unadjusted balances in Dec-18.

EBITDA - Operating division P&Ls reconciliation to combined P&Ls

$'000	FY18	TTM Jun-19	YTD Jun-18	YTD Jun-19
Operating division P&Ls - EBITDA				
American Waste	22,304	26,935	9,338	13,969
Northeastern Exploration	293	352	147	207
Wexford	4,404	4,504	1,786	1,885
Hazar-Bestos Corporation	416	558	191	333
American Waste Arrow	1,221	1,182	570	531
EBITDA, before reporting adjustments	**28,639**	**33,531**	**12,032**	**16,923**
Combined entity P&Ls - EBITDA				
American Waste	23,254	27,595	9,538	13,879
Less:				
American Waste	23,254	27,595	9,538	13,879
Northeastern Exploration	320	346	181	207
Wexford	4,404	4,504	1,786	1,885
Hazar-Bestos Corporation	416	558	191	333
American Waste Arrow	1,219	1,190	570	541
EBITDA, before reporting adjustments	**29,615**	**34,193**	**12,266**	**16,844**
Variance - EBITDA				
American Waste	950	659	1	(90)
Northeastern Exploration	28	(6)	1	-
Wexford	-	-	-	-
Hazar-Bestos Corporation	-	-	-	-
American Waste Arrow	(3)	8	-	11
EBITDA, before reporting adjustments	**975**	**661**	**2**	**(80)**

Note: The reported numbers presented above are gross of intercompany eliminations and adjustments.
Source: Management's internal trial balances, information provided by Management

The above table reconciles EBITDA per the operating division P&Ls to reported EBITDA per the entity P&Ls. Management represented that the variances are due to year-end adjustments that are not recorded at the operating division P&L level.

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Glossary

$'000	Thousands of U.S. Dollars
AFDA	Allowance for doubtful accounts
AP	Accounts payable
AR	Accounts receivable
AWI	American Waste, Inc.
AWIC	AWIC Insurance, a protected cell of Southern Safe Insurance Limited
BS	Balance sheet
Business	Operations within the transaction perimeter
CAPEX	Capital expenditure
CEO	Chief Executive Officer
Combined	The Company's results prior to intercompany eliminations
Company	American Waste Inc., and affiliates
COO	Chief Operating Officer
DPO	Days payable outstanding
DSO	Days sales outstanding
EBITDA	Earnings before interest, tax, depreciation and amortization
FYXX	Fiscal year ended December 31, 20XX
GAAP	Generally accepted accounting principles
GFL	GFL Environmental Inc.
GL	General ledger
HBC	Hazar-Bestos Corporation
Inc.	Incorporated
IS	Income statement
LLC	Limited liability corporation
Management	Management of the Company
MRF	Materials recovering facility
n.a.	Not applicable
n.q.	Not quantified
NEE	Northeastern Exploration, Inc.
NWC	Net working capital
P&L	Profit and loss
PA	Pennsylvania
PP&E	Property, plant, and equipment
QofE	Quality of Earnings
TTM	Trailing twelve months
USD	U.S. dollar
VDD	Vendor due diligence
W2	United States wage and tax statement
YTD	Year to date

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