

CASELLA WASTE SYSTEMS INC
Form 10-K
March 02, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

Or

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

For the transition period from _____ to _____
Commission file number 000-23211

CASELLA WASTE SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	03-0338873
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

25 Greens Hill Lane, Rutland, VT	05701
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (802) 775-0325

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A common stock, \$.01 per share par value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information

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statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the common equity held by non-affiliates of the registrant, based on the last reported sale price of the registrant's Class A common stock on the NASDAQ Stock Market at the close of business on June 30, 2017 was approximately \$639.8 million. The registrant does not have any non-voting common stock outstanding. There were 41,294,290 shares of Class A common stock, \$.01 par value per share, of the registrant outstanding at February 14, 2018. There were 988,200 shares of Class B common stock, \$.01 par value per share, of the registrant outstanding at February 14, 2018.

Documents Incorporated by Reference

Part III of this Annual Report on Form 10-K incorporates by reference information from the definitive Proxy Statement for the registrant's 2018 Annual Meeting of Stockholders or a Form10-K/A to be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended December 31, 2017.

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PART I

Unless the context requires otherwise, all references in this Annual Report on Form 10-K to “Casella Waste Systems, Inc.”, “Casella”, the “Company”, “we”, “us” or “our” refer to Casella Waste Systems, Inc. and its consolidated subsidiaries.

Forward-Looking Statements

This Annual Report on Form 10-K contains or incorporates a number of forward-looking statements, including statements regarding:

- expected liquidity and financing plans;
- expected future revenues, operations, expenditures and cash needs;
- fluctuations in the commodity pricing of our recyclables, increases in landfill tipping fees and fuel costs and general economic and weather conditions;
- projected future obligations related to final capping, closure and post-closure costs of our existing landfills and any disposal facilities which we may own or operate in the future;
- our ability to use our net operating losses and tax positions;
- our ability to service our debt obligations;
- the projected development of additional disposal capacity or expectations regarding permits for existing capacity;
- the recoverability or impairment of any of our assets or goodwill;
- estimates of the potential markets for our products and services, including the anticipated drivers for future growth;
- sales and marketing plans or price and volume assumptions;
- the outcome of any legal or regulatory matter;
- potential business combinations or divestitures; and
- projected improvements to our infrastructure and the impact of such improvements on our business and operations.

In addition, any statements contained in or incorporated by reference into this report that are not statements of historical fact should be considered forward-looking statements. You can identify these forward-looking statements by the use of the words “believes”, “expects”, “anticipates”, “plans”, “may”, “will”, “would”, “intends”, “estimates” and other similar expressions, whether in the negative or affirmative. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate, as well as management’s beliefs and assumptions, and should be read in conjunction with our consolidated financial statements and notes thereto. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in the forward-looking statements made. The occurrence of the events described and the achievement of the expected results depends on many events, some or all of which are not predictable or within our control. Actual results may differ materially from those set forth in the forward-looking statements.

There are a number of important risks and uncertainties that could cause our actual results to differ materially from those indicated by such forward-looking statements. These risks and uncertainties include, without limitation, those detailed in Item 1A, “Risk Factors” of this Annual Report on Form 10-K. We explicitly disclaim any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise, except as otherwise required by law.

ITEM 1. BUSINESS

Overview

Founded in 1975 with a single truck, Casella Waste Systems, Inc., a Delaware corporation, its wholly-owned subsidiaries and any partially owned entities over which it has a controlling financial interest, is a regional, vertically-integrated solid waste services company. We provide resource management expertise and services to residential, commercial, municipal and industrial customers, primarily in the areas of solid waste collection and disposal, transfer, recycling and organics services. We provide integrated solid waste services in six states: Vermont, New Hampshire, New York, Massachusetts, Maine and Pennsylvania, with our headquarters located in Rutland, Vermont. We manage our solid waste operations on a geographic basis through two regional operating segments, our Eastern and Western regions, each of which provides a full range of solid waste services, and our larger-scale recycling and commodity brokerage operations through our Recycling segment. Organics services, ancillary operations, major accounts and industrial services, discontinued operations, and earnings from equity method

investees, as applicable, are included in our Other segment.

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As of January 31, 2018, we owned and/or operated 32 solid waste collection operations, 47 transfer stations, 18 recycling facilities, nine Subtitle D landfills, four landfill gas-to-energy facilities and one landfill permitted to accept construction and demolition (“C&D”) materials.

Change in Fiscal Year

In June 2014, we elected to change our fiscal year-end from April 30th to December 31st. This change in fiscal year became effective for our fiscal year beginning January 1, 2015 and ended December 31, 2015. As a result of this change, we filed a Transition Report on Form 10-KT for the eight-month transition period ended December 31, 2014. The references in this Annual Report on Form 10-K to the terms listed below reflect the respective period noted (all other reporting periods defined separately):

Term	Financial Reporting Period
fiscal year 2018	January 1, 2018 through December 31, 2018
fiscal year 2017	January 1, 2017 through December 31, 2017
fiscal year 2016	January 1, 2016 through December 31, 2016
fiscal year 2015	January 1, 2015 through December 31, 2015
transition period 2014	May 1, 2014 through December 31, 2014
fiscal year 2014	May 1, 2013 through April 30, 2014

Strategy

Our goal is to build a sustainable and profitable company by providing exemplary service to our customers, while operating safe and environmentally sound facilities. Over the last several years, many of our customers have been seeking to reduce their environmental footprint by increasing their recycling rates, diverting organic materials out of the waste stream into beneficial use processes and exploring emerging methods to transform traditional waste streams into renewable resources. Since we first began operating in Vermont in 1975, our business strategy has been firmly tied to creating a sustainable resource management model and we continue to be rooted in these same tenets today. We strive to create long-term value for all of our stakeholders, including customers, employees, communities and shareholders.

Our primary objective is to maximize long-term shareholder value through a combination of financial performance and strategic asset positioning. Annually, we complete a comprehensive strategic planning process to assess and refine our strategic objectives in the context of our asset mix and the current market environment. This process helps the management team allocate resources to a range of business opportunities in order to strive to maximize long-term financial returns and competitive positioning.

Over the last five years we have made significant progress in simplifying our business structure, improving cash flows and reducing risk exposure by divesting and closing under performing operations that did not enhance or complement our core operations. Specifically, we have had success during this period improving our financial performance and driving positive cash flows by advancing efforts in four key areas: (1) increasing landfill returns; (2) driving additional profitability at collection operations; (3) creating incremental value through resource solutions; and (4) improving our balance sheet and reducing business risk.

In early August 2017, we announced our updated strategic plan through our fiscal year ending December 31, 2021 (the “2021 Plan”). As part of the 2021 Plan, we intend to remain focused on creating shareholder value through: (1) increasing landfill returns; (2) improving collection profitability; and (3) creating incremental value through resource solutions. In addition, we also announced two new key strategies as part of the 2021 Plan: (4) reducing general and administration costs and improving efficiencies; and (5) allocating capital to balance debt delevering with smart growth.

To support our efforts, we continue to invest in our employees through leadership development, technical training and job paths, and incentive compensation structures that seek to align our employees’ incentives with our long-term goal to improve cash flows and returns on invested capital.

Increasing landfill returns

We launched a strategic initiative in fiscal year 2014 to source incremental waste volumes to our landfills to maximize annual capacity utilization and increase cash flows. We have made great progress towards this goal as overall landfill

volumes for fiscal year 2017 were up by approximately 0.9 million tons per year compared to the twelve months ended December 31, 2012, excluding volumes from the Worcester, Massachusetts landfill (“Worcester Landfill”) closure project in Massachusetts.

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Landfill waste volume increases have been primarily driven by: (1) our success in acquiring new transfer station and hauling customers; (2) our focused landfill sales strategy, which included the revamping of our special waste team to focus on sourcing additional industrial and remediation waste volumes; (3) increasing C&D volumes as the construction market has slowly rebounded across our market areas; and (4) our asset positioning in several key markets that have contracting permitted capacity.

Disposal market dynamics have quickly shifted across our footprint due to improving macroeconomic conditions and a challenging regulatory environment for new disposal capacity. In total, facilities that we estimate had approximately 1.7 million tons of annual disposal capacity have permanently closed in Massachusetts, Maine, New Hampshire, and Vermont over the last several years, and we expect that facilities with another 1.8 million tons of additional net annual capacity will permanently close over the next several years. These closures and expected closures represent a reduction of over 15% of total market capacity across these states. Furthermore, we expect that waste flow shifts in New York State and additional facility closures in contiguous markets will keep more waste volumes in the market for ultimate disposal over the next 20 years, further tightening available market capacity.

Given this backdrop, we shifted our landfill strategy in transition period 2014 to balance sourcing additional volumes against improving pricing and returns at our landfills. While we believe it will take several years for the capacity constraints in our markets to become acute, we experienced tightening pricing elasticity in our markets over the last year, which has enabled us to begin increasing landfill disposal pricing in excess of the Consumer Price Index in several of our markets. In fiscal year 2017, we increased our overall landfill price by 3.4% over the prior year as we selectively increased tipping fees.

We continue to work on strategies to source additional waste volumes to our landfills by increasing our geographic reach through the use of rail transportation and accessing new end-markets and transfer stations.

Improving collection profitability

Over the last five years, we have developed and implemented a number of programs designed to improve profitability and returns in the collection line-of-business including: pricing yield analytics; new sales force incentives; route profitability analytics; on-route sales and marketing initiatives; a comprehensive fleet strategy; and selling or swapping under performing routes or operations.

Our local collection teams have moved pricing from an annual process to a core process that is continually reviewed and adjusted throughout the year. Our division management and sales teams use our customer profitability analytics tool to calculate customer level profitability and increase pricing, where appropriate, to offset cost increases. We continue to yield success from our collection pricing programs, with commercial and residential collection price growth of 3.1% in fiscal year 2017.

In fiscal year 2015, we implemented the Sustainability Recycling Adjustment fee (“SRA fee”) to dynamically adjust residential and commercial collection pricing for monthly changes in recycling commodity prices. The SRA fee has been well received by our customers and is helping to offset commodity price headwinds. In fiscal year 2017, we replaced our fuel & oil recovery fee with our new Energy and Environmental fee (“E&E fee”). The E&E fee incorporates a floating fuel and oil recovery fee with a fixed environmental recovery fee designed to recover environmental compliance inflation.

During fiscal year 2014, we adjusted our sales force incentive compensation program to better support our efforts to drive responsibility to the local operating level. We introduced a uniform commission structure tracking and payment system to help our local teams administer customized commission structures for each sales representative, while maintaining a consistent system to track performance. Collection routes are the basic building blocks of our solid waste business and we believe that it is imperative that we seek to ensure that each route is profitable and covers the cost of truck and container capital. In order to achieve this goal, we have developed and implemented a route profitability tool to help our operating teams analyze and improve their routing productivity and profitability. With the help of this tool, we have increased the frequency of re-routing existing customers to improve efficiencies and take trucks off the road. In addition, we routinely evaluate on an account-by-account basis existing customer service levels, service types, equipment selection and truck type selection to seek to ensure that we are maximizing profitability and asset utilization. To further improve route density, we focus our marketing and sales efforts on existing routes.

To augment our operating efforts, we implemented a five-year comprehensive fleet plan during transition period 2014 to define our fleet standards and specifically target truck replacements to maximize returns. We believe that this plan will help us to reduce our operating costs and improve our capital efficiency by reducing downtime and maintenance costs and improving service levels.

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Differentiating business with resource solutions

To complement our traditional solid waste offerings, we have developed a set of resource solutions and invested in select assets that are intended to enhance our ability to support emerging customer and market needs. Our resource solutions strategy seeks to leverage our core competencies across our operating segments in materials processing, industrial recycling, clean energy, and organics service offerings in order to generate additional value from the waste stream for our customers. In fiscal year 2017, 27.1% of our revenues were generated by our Recycling, Customer Solutions and Organics businesses in the aggregate.

For 40 years, we have been a leader in providing recycling services to our customers. We currently own or operate six material recovery facilities ("MRFs") that use our Zero-Sort Recycling process, which we own or operate under long-term operating agreements. With Zero-Sort Recycling, customers can commingle all of their recyclables (paper, cardboard, plastics, metals, and glass) into a single, right-sized residential or commercial container. By making it easier for a customer to recycle, we have increased recycling participation and yields, thereby increasing volumes through our MRFs and enhancing asset utilization.

Prior to 2011, the average mix of recycling commodities generated by residential and commercial customers generally sold at an average price that covered the cost of processing the materials, including an adequate return on our investment in the processing equipment, facilities, and rolling stock necessary to process the recyclables. However, from early 2011 to the end of fiscal year 2015, recycling commodity prices declined by approximately 60% as global demand for fiber and metal materials significantly dropped and plastics pricing declined with lower crude oil pricing. At these low recycling commodity pricing levels, we were not able to generate adequate revenue from the sale of commodities to cover the cost of processing the materials or generating a positive return on our investment in recycling infrastructure. In order to continue to provide these necessary services to our residential, commercial, municipal, and industrial customers, we changed our pricing model for these services by introducing the SRA fee in fiscal year 2015 and fiscal year 2016.

The global recycling market has experienced further negative commodity pricing pressure in 2017, which has continued into early 2018. Markets are expected to remain depressed into the foreseeable future, as China launched its National Sword program aimed at reducing contamination levels in imported recyclables and eliminating certain commodity grades. Due to China's reduced purchasing of commodities, export pricing for mixed paper declined by 80% from July 2017 through February 2018, and old corrugated cardboard ("OCC") pricing declined 45% during the same period.

Further, in response to these changes in the global commodity markets, we have taken steps to improve the quality of our recycled fiber commodity streams by slowing down the throughput of our processing lines, adding additional sorting and quality control labor, and upgrading select facilities to enhance automated sorting technology. We believe that our commodity risk mitigation programs are working well to offset the majority of the declines in commodity pricing and the increased processing costs; however, we expect our recycling business to be a negative headwind in fiscal year 2018.

Our Customer Solutions business works with our industrial services, including multi-location customers, colleges and universities, municipalities, and industrial customers to develop customized comprehensive solid waste solutions. The focus of this group is to help these large scale organizations achieve waste reduction and diversion goals to meet their economic and environmental objectives. We believe that we differentiate our services from our competitors by providing a personalized set of resource solutions, which enables us to win new business, including traditional solid waste collection and disposal customers.

Our Organics business provides transportation, disposal and resource solutions to waste water treatment facilities across the northeastern United States. In fiscal year 2017, our operations managed approximately 0.8 million tons of residuals, with 0.2 million tons of this material internalized to our landfills and 0.4 million tons transformed into renewable products for fertilization and landscaping. In addition, our Organics group has been working to develop and/or partner with firms that have developed innovative approaches to deriving incremental value from source separated organics to comply with emerging waste regulations.

Reducing general and administration costs and improving efficiencies

In August 2017, we launched a new strategy focused on driving lower general and administration costs and improving back office efficiencies through our multi-year technology plan and our efforts to optimize our sales organization. Our goal is to reduce our general and administration costs as a percentage of revenues by 75 to 100 basis points by December 31, 2021.

We initially plan to focus our efforts in two key areas to accomplish this goal: (1) update key technology infrastructure to transform our finance organization and streamline our back-office processes; and (2) optimize our sales organization and activities to drive higher sales and productivity.

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We developed a 5-year technology plan during fiscal year 2017 that focuses investment in core systems and infrastructure to drive cost efficiencies, customer value, and growth. Our legacy financial, work-order management, and billing systems have provided a stable and high performance system over the last 25 years. However, as we have worked to modernize our processes, we discovered that our legacy platforms did not afford the data integration capabilities necessary to advance these key technology initiatives.

Our 5-year technology plan first focuses on updating our key financial systems (financial, general ledger, purchasing, and fixed assets) with a new NetSuite cloud based Enterprise Resource Planning software that was launched in February 2018. The next major step in this plan is to replace our field services system, including work order management, dynamic truck routing and billing applications.

Once we have these foundational systems in place, we plan to shift our attention to further advancing our long-term technology plan, with a focus on enhancing customer facing applications, streamlining back-office and accounting processes, automating routine processes, translating data into actionable operating intelligence, and adding technology to the cab of our trucks to improve customer service and efficiencies.

The second major initiative targeted at reducing general and administration costs and improving efficiencies, is our effort to optimize our sales organization and activities. During fiscal year 2016 and into fiscal year 2017, we migrated from five antiquated Customer Relationship Management ("CRM") systems to a newly deployed Microsoft Dynamics CRM platform. As of mid-2017, all of our sales force was utilizing the new system to manage their day-to-day sales activities. In fiscal 2018, we plan to focus on enhancing opportunity and retention management activities, driving higher cross-selling, and improving sales force effectiveness and efficiency. As we gain further traction with these efforts we expect to redirect certain sales resources to drive higher growth in key customer segments and market areas.

Allocating capital to balance debt delevering with smart growth

Over the last five years we have made significant progress in simplifying our business structure, improving cash flows and reducing risk exposure: (1) by divesting and closing under performing operations that did not enhance or complement our core operations; and (2) through strict capital discipline and debt repayment. Given our success in each area and as part of the 2021 Plan, we have shifted our capital strategy to use our capital in a manner that balances continued delevering with smart acquisition and development growth.

One of the key pillars of this initiative to improving our balance sheet and reducing operational and financial risk, is our Enterprise Risk Management program that helps us to more effectively identify and mitigate risk throughout all aspects of our business. This program has helped us to prioritize and focus resources on mitigating key risk areas, while simplifying our business structure, improving cash flows and reducing risk exposure by divesting and closing under performing operations that did not enhance or complement our core operations. These actions included: (1) the divestiture of Maine Energy Recovery Company, LP, a low margin, negative cash flow waste-to-energy operation, in the fiscal year ended April 30, 2013; (2) the divestiture of KTI BioFuels, Inc. ("BioFuels"), a low margin, negative cash flow C&D processing facility, in fiscal year 2014; (3) the sale of our 50% equity interest in US GreenFiber LLC, a negative cash flow cellulose insulation joint-venture, in fiscal year 2014; (4) the wind down of Casella-Altela Regional Environmental Services, LLC ("CARES") through the disposal of the remaining assets of CARES in fiscal year 2015, in which we held a 51% membership interest; and (5) the sale of select low-margin collection routes in fiscal years 2015 and 2016.

During this period, our financial strategy was focused on maximizing cash flows to permanently retire indebtedness and refinancing higher cost indebtedness to lower our borrowing costs and reduce market risk. We made significant progress in each area during fiscal years 2016 and 2017.

On October 17, 2016, we completed the refinancing of our 7.75% senior subordinated notes due February 2019 ("2019 Notes") and our senior secured asset-based revolving credit and letter of credit facility due February 2020 with our new term loan B facility in the amount of \$350.0 million ("Term Loan B Facility") and a revolving line of credit facility in the amount of \$160.0 million ("Revolving Credit Facility" and, together with the Term Loan B Facility, the "Credit Facility"). This refinancing saved us approximately \$11.0 million of annual cash interest expense, moved out debt maturities, and increased our financial flexibility.

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On April 18, 2017, we completed the repricing of our Term Loan B Facility and reduced the applicable interest rate margin by 25 basis points for both LIBOR and base borrowings. This repricing saved us approximately an additional \$0.9 million of annual cash interest expense.

As of December 31, 2017, our consolidated net leverage ratio, as measured by our Credit Facility, dropped below 3.75x, and as such the applicable interest rate margin for our Term Loan B Facility dropped by another 25 basis points for both LIBOR and base borrowings. This interest rate step-down is expected to save us approximately an additional \$0.9 million of annual cash interest expense.

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We believe that we are well-positioned for the future and remain strongly committed to a disciplined capital investment strategy, that balances continued delevering with smart acquisition and development growth. We have set a goal of \$20 million to \$40 million per year of acquisition or development activity as part of this new strategy, although we may consider larger transactions if appropriate. Acquisitions or development activity will be opportunistic, and we expect to strictly adhere to our disciplined capital return hurdles and rigorous review process. Given the continued tightening of the disposal markets across the northeastern United States due to permanent facility closures and increased economic activity, coupled with changes in the recycling markets, we believe that we have an excellent opportunity to acquire select assets across our market areas. We estimate we have roughly \$500 million of potential acquisition opportunity in our northeastern United States markets (either tuck-in or strategically integrated with our assets).

We believe that investing a portion of our excess cash flows to grow our business will create additional shareholder returns through higher cash flow growth rates driven by new revenue streams, internalization to our disposal facilities and cost synergies.

Operational Overview

Our solid waste and recycling operations comprise a full range of non-hazardous solid waste services, including collections, transfer stations, MRFs and disposal facilities.

Collections. A majority of our commercial and industrial collection services are performed under one-to-five year service agreements, with prices and fees determined by such factors as: collection frequency; type of equipment and containers furnished; type, volume and weight of solid waste collected; distance to the disposal or processing facility; and cost of disposal or processing. Our residential collection and disposal services are performed either on a subscription basis (with no underlying contract) with individuals, or through contracts with municipalities, homeowner associations, apartment building owners or mobile home park operators.

Transfer Stations. Our transfer stations receive, compact and transfer solid waste, collected primarily by our various residential and commercial collection operations, for transport to disposal facilities by larger vehicles. We believe that transfer stations benefit us by: (1) increasing the size of the wastesheds which have access to our landfills; (2) reducing costs by improving utilization of collection personnel and equipment; and (3) helping us build relationships with municipalities and other customers by providing a local physical presence and enhanced local service capabilities.

Material Recovery Facilities. Our MRFs receive, sort, bale and sell recyclable materials originating from the municipal solid waste stream, including newsprint, cardboard, office paper, glass, plastic, steel or aluminum containers and bottles. We operate eight large-scale, high volume MRFs within our Recycling region in geographic areas served by our collection divisions. Revenues are received from municipalities and customers in the form of processing fees, tipping fees and commodity sales. These MRFs, three of which are located in New York, two of which are located in Vermont, two of which are located in Massachusetts, and one of which is located in Maine, process over 0.5 million tons per year of recycled materials delivered to them by municipalities and commercial customers under long-term contracts. We also operate smaller MRFs, which generally process recyclables collected from our various residential collection operations.

Landfills. We operate nine solid waste Subtitle D landfills and one landfill permitted to accept C&D materials. Revenues are received from municipalities and other customers in the form of tipping fees. The estimated capacity at our landfills is subject to change based on engineering factors, requirements of regulatory authorities, our ability to continue to operate our landfills in compliance with applicable regulations and our ability to successfully renew operating permits and obtain expansion permits at our sites.

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The following table (in thousands) reflects the aggregate landfill capacity and airspace changes, in tons, for landfills we operated during fiscal years 2017, 2016 and 2015:

	Fiscal Year 2017			Fiscal Year 2016			Fiscal Year 2015		
	Estimated Remaining Permitted Capacity (1)	Estimated Additional Permittable Capacity (2)	Estimated Total Capacity	Estimated Remaining Permitted Capacity (1)	Estimated Additional Permittable Capacity (2)	Estimated Total Capacity	Estimated Remaining Permitted Capacity (1)	Estimated Additional Permittable Capacity (2)	Estimated Total Capacity
Balance, beginning of year	31,022	59,089	90,111	23,208	74,443	97,651	26,456	76,547	103,003
New expansions pursued (3)	—	—	—	—	—	—	—	1,366	1,366
Permits granted (4)	9,273	(9,273)	—	11,859	(11,859)	—	—	—	—
Airspace consumed	(3,958)	—	(3,958)	(3,899)	—	(3,899)	(3,793)	—	(3,793)
Changes in engineering estimates (5)	(178)	(3,515)	(3,693)	(146)	(3,495)	(3,641)	545	(3,470)	(2,925)
Balance, end of year	36,159	46,301	82,460	31,022	59,089	90,111	23,208	74,443	97,651

We convert estimated remaining permitted capacity and estimated additional permittable capacity from cubic yards to tons generally by assuming a compaction factor derived from historical average compaction factors, with modification for future anticipated changes. In addition to a total capacity limit, certain permits place a daily and/or annual limit on capacity.

Represents capacity which we have determined to be “permittable” in accordance with the following criteria: (i) we control the land on which the expansion is sought; (ii) all technical siting criteria have been met or a variance has been obtained or is reasonably expected to be obtained; (iii) we have not identified any legal or political impediments which we believe will not be resolved in our favor; (iv) we are actively working on obtaining any necessary permits and we expect that all required permits will be received; and (v) senior management has approved the project.

The change in new expansions pursued in fiscal year 2015 relates to the determination of additional permittable airspace at the Subtitle D landfill located in Southbridge, Massachusetts (“Southbridge Landfill”) and the Subtitle D landfill located in Bethlehem, New Hampshire (“NCES Landfill”) in our Eastern region.

The increase in remaining permitted airspace capacity in fiscal year 2017 was the result of a permit received at the Subtitle D landfill located in West Old Town, Maine (“Juniper Ridge Landfill”) in our Eastern region. The increase in remaining permitted airspace capacity in fiscal year 2016 was a result of the receipt of expansion permits at the Subtitle D landfill located in Seneca, New York (“Ontario County Landfill”) and the Subtitle D Landfill located in Chemung, New York (“Chemung County Landfill”) in our Western region.

The variation in changes in airspace capacity associated with engineering estimates are primarily the result of changes in compaction at our landfills and estimated airspace changes associated with design changes at certain of our landfills, which in fiscal year 2017 includes the impact associated with the decision to close our Southbridge Landfill.

Eastern Region

NCES Landfill. The NCES Landfill is a Subtitle D landfill located in Bethlehem, New Hampshire that we purchased in 1994. NCES Landfill currently consists of approximately 50 acres of permitted or permittable landfill area, is permitted to accept municipal solid waste, C&D material and certain pre-approved special waste and has no annual tonnage limitations. In fiscal year 2017, NCES Landfill entered into an agreement for the construction of a landfill gas-to-energy plant, which will be constructed, owned and operated by a third-party.

Juniper Ridge Landfill. The Juniper Ridge Landfill is a Subtitle D landfill located in West Old Town, Maine. In 2004, we completed transactions with the State of Maine and Georgia-Pacific Corporation (“Georgia Pacific”), pursuant to which the State of Maine took ownership of Juniper Ridge Landfill, formerly owned by Georgia Pacific, and we became the operator under a 30-year operating and services agreement between us and the State of Maine. Juniper

Ridge Landfill currently consists of approximately 179 acres of permitted or permittable landfill area, which is sufficient to permit the additional airspace required for the term of the 30-year operating and services agreement, and is permitted to accept the following waste originating from the State of Maine: up to 0.1 million tons of municipal solid waste per year through March 2018, and C&D material, ash from municipal solid waste incinerators and fossil fuel boilers, front end processed residuals and bypass municipal solid waste from waste-to-energy facilities and certain pre-approved special waste. Outside of the limitations on municipal solid waste, there are no annual tonnage limitations at Juniper Ridge Landfill.

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Southbridge Landfill. The Southbridge Landfill is a Subtitle D landfill located in Southbridge, Massachusetts. In 2003, we acquired Southbridge Recycling and Disposal Park, Inc., which owns a recycling facility and has a contract with the Town of Southbridge, Massachusetts to operate Southbridge Landfill. Southbridge Landfill currently consists of approximately 73 acres of permitted or permittable landfill area, and is permitted to accept up to 0.4 million tons of municipal solid waste, processed C&D residual material and certain pre-approved special waste annually. The Southbridge Landfill site houses a landfill gas-to-energy plant, which is owned and operated by us, that has the capacity to generate 1.6 MW of energy. In fiscal year 2017, we initiated a plan to cease operations of Southbridge Landfill and decided to not proceed with expansion efforts and to close Southbridge Landfill once the remaining capacity had been exhausted, with capacity expected to be reached during fiscal year 2018. Closure operations at Southbridge Landfill are expected to begin in fiscal year 2018, or shortly thereafter, once capacity has been reached. Closure Projects. In 2005, we started closure operations at the Worcester Landfill. These closure operations were completed in April 2014 when Worcester Landfill accepted its final tons of waste. We began final capping and closing of Worcester Landfill in May 2014 and completed final capping and closing in fiscal year 2016.

Western Region

Waste USA Landfill. The Waste USA landfill, which is a Subtitle D landfill located in Coventry, Vermont ("Waste USA Landfill") that we purchased in 1995, is the only operating permitted Subtitle D landfill in the State of Vermont. Waste USA Landfill consists of approximately 148 acres of permitted or permittable landfill area, and is permitted to accept up to 0.6 million tons of municipal solid waste, C&D material and certain pre-approved special waste annually. The Waste USA Landfill site houses a landfill gas-to-energy plant, which is owned and operated by a third-party, that has the capacity to generate 8.0 MW of energy.

Clinton County Landfill. The Clinton County landfill, which is a Subtitle D landfill located in Schuyler Falls, New York ("Clinton County Landfill"). Clinton County Landfill, which currently consists of approximately 197 acres of permitted or permittable landfill area, portions of which are leased from Clinton County, is permitted to accept up to approximately 0.2 million tons of municipal solid waste, C&D material and certain pre-approved special waste annually. The Clinton County Landfill site houses a landfill gas-to-energy facility, which is owned by us and operated by a third-party, that has the capacity to generate 6.4 MW of energy.

Hyland Landfill. The Hyland landfill, which is a Subtitle D landfill located in Angelica, New York ("Hyland Landfill") that we own, began accepting waste in 1998. Hyland Landfill currently consists of approximately 121 acres of permitted or permittable landfill area, and is permitted to accept up to 0.5 million tons of municipal solid waste, C&D material and certain pre-approved special waste annually. The Hyland Landfill site houses a landfill gas-to-energy facility, which is owned by us and operated by a third-party, that has the capacity to generate 4.8 MW of energy.

Ontario County Landfill. The Ontario County Landfill, which is a Subtitle D landfill located in Seneca, New York. In 2003, we entered into a 25-year operation, management and lease agreement for the Ontario County Landfill with the Ontario County Board of Supervisors. Ontario County Landfill currently consists of approximately 171 acres of permitted or permittable landfill area, and is permitted to accept up to 0.9 million tons of municipal solid waste, C&D material and certain pre-approved special waste annually and is strategically situated to accept long haul volume from both the eastern and downstate New York markets. In January 2016, we received an expansion permit at the Ontario County Landfill, which is sufficient to permit the additional airspace required for the remaining term of the 25-year operation, management and lease agreement. The Ontario County Landfill site houses a Zero-Sort MRF, which is operated by us, and a landfill gas-to-energy facility, which is owned and operated by a third-party, that has the capacity to generate 11.2 MW of energy.

Hakes Landfill. The Hakes C&D landfill, which is a C&D landfill located in Campbell, New York ("Hakes Landfill") that we purchased in 1998. Hakes Landfill currently consists of approximately 78 acres of permitted or permittable landfill area, and is permitted to accept up to 0.5 million tons of C&D material annually.

Chemung County Landfill. The Chemung County Landfill, which is a Subtitle D landfill located in Chemung, New York. In 2005, we entered into a 25-year operation, management and lease agreement for Chemung County Landfill and certain other facilities with Chemung County. Chemung County Landfill currently consists of approximately 113 acres of permitted or permittable landfill area strategically situated to accept long haul volume from both eastern and

downstate New York markets and is permitted to accept up to 0.4 million tons of municipal solid waste and certain pre-approved special waste annually and 20.5 thousand tons of C&D material annually. In June 2016, we received an expansion permit at Chemung County Landfill, which is sufficient to permit the additional airspace required for the remaining term of the 25-year operation, management and lease agreement.

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McKean Landfill. The McKean landfill, which is a Subtitle D landfill located in Mount Jewett, Pennsylvania (“McKean Landfill”) that we purchased in 2011 as part of a bankruptcy reorganization. McKean Landfill currently consists of approximately 256 acres of permitted or permittable landfill area, and is permitted to accept up to approximately 0.3 million tons of municipal solid waste, C&D material and certain pre-approved special waste annually. The facility permit authorizes the construction of the rail siding at the landfill which if completed, would expand the market reach for the landfill to other rail capable transfer facilities. We have not yet committed to the construction of the rail siding pending a determination of the economic viability. We believe that McKean Landfill is well situated to provide services to the oil and gas industry that explores natural gas in the Marcellus Shale of Pennsylvania in the form of disposal capacity for residual materials.

Closed Landfills

We also own and/or manage five unlined landfills and three lined landfills that are not currently in operation. We have closed and capped all of these landfills according to applicable environmental regulatory standards.

Operating Segments

We manage our solid waste operations, which include a full range of solid waste services, on a geographic basis through two regional operating segments, which we designate as our Eastern and Western regions. Our third operating segment is Recycling, which comprises our larger-scale recycling operations and our commodity brokerage operations. Organic services, ancillary operations, industrial services, discontinued operations and earnings from equity method investees, as applicable, are included in our “Other” segment. See Note 19, Segment Reporting to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for a summary of revenues, certain expenses, profitability, capital expenditures, goodwill, and total assets of our operating segments. Within each geographic region, we organize our solid waste services around smaller areas that we refer to as “wastesheds.” A wasteshed is an area that comprises the complete cycle of activities in the solid waste services process, from collection to transfer operations and recycling to disposal in landfills, some of which may be owned and/or operated by third parties. We typically operate several divisions within each wasteshed, each of which provides a particular service, such as collection, recycling, disposal or transfer. Each division operates interdependently with the other divisions within the wasteshed. Each wasteshed generally operates autonomously from adjoining wastesheds. Through the eight MRFs and commodity brokerage operation comprising our Recycling segment, we provide services to six anchor contracts, which have original terms ranging from five to twenty years and expire at various times through calendar year end 2028. The terms of each contract vary, but all of the contracts provide that the municipality or third-party delivers materials to our facility. These contracts may include a minimum volume guarantee by the municipality. We also have service agreements with individual towns and cities and commercial customers, including small solid waste companies and major competitors, that do not have processing capacity within a specific geographic region.

The following table provides information about each operating segment (as of January 31, 2018 except revenue information, which is for fiscal year 2017):

	Eastern Region	Western Region	Recycling	Other
Revenues (in millions)	\$181.2	\$250.8	\$62.3	\$105.1
Properties:				
Solid waste collection facilities	14	18	—	—
Transfer stations	18	29	—	—
Recycling facilities	3	4	9	2
Subtitle D landfills	3	6	—	—
C&D landfills	—	1	—	—

See our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for our financial results for fiscal years 2017, 2016 and 2015, and our financial position as of December 31, 2017 and December 31, 2016.

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Eastern region

Our Eastern region consists of wastesheds located in Maine, northern, central and southeastern New Hampshire and central and eastern Massachusetts. Our Eastern region is vertically integrated, with transfer, landfill, processing and recycling assets serviced by our collection operations. In February 2013, we aligned management of NCES Landfill with our Eastern region. NCES Landfill had been historically aligned with our Western region. Our December 2012 acquisition of Bestway Disposal Services and BBI Waste Services strengthened both our collection and transfer network in New Hampshire and Maine by adding three collection operations and four, either owned or operated, transfer stations, and by contributing additional internalized solid waste and recycling volumes to our disposal facilities. In August 2013, we divested of our BioFuels C&D processing facility in Lewiston, Maine, allowing us to focus on our higher margin core businesses.

We entered the Maine market in 1996 and have grown organically and through acquisitions. In 2004, we obtained the right to operate Juniper Ridge Landfill under a 30-year agreement with the State of Maine.

We entered the southern New Hampshire market in 1999 and the eastern Massachusetts market in 2000 and since have grown organically and through acquisitions. In this market, we rely to a large extent on third-party disposal capacity, but NCES Landfill, Southbridge Landfill and other assets have provided additional opportunities to internalize volumes. In fiscal year 2014, we acquired a transfer station in Oxford, Massachusetts, allowing greater operational flexibility for our solid waste and recycling collection operations, and in fiscal year 2018 we acquired Complete Disposal Company, Inc. and its subsidiary United Material Management of Holyoke, Inc. (collectively, "Complete"), which is expected to generate approximately \$17.0 million of revenues annually. Complete provides residential and roll-off collection services, operates a construction and demolition processing facility, and operates a solid waste transfer station with both truck and rail transfer capabilities. However, in fiscal year 2017, we also initiated the plan to cease operations of the Southbridge Landfill and decided to not proceed with expansion efforts and close the Southbridge Landfill once the remaining capacity had been exhausted, with capacity expected to be reached during fiscal year 2018. Closure operations at the Southbridge Landfill are expected to begin in fiscal year 2018, or shortly thereafter, once capacity has been reached.

Western region

Our Western region includes wastesheds located in Vermont, southwestern New Hampshire, eastern, western and upstate New York and in Pennsylvania around McKean Landfill. The portion of eastern New York served by our Western region includes Clinton (operation of Clinton County), Franklin, Essex, Warren, Washington, Saratoga, Rennselaer and Albany counties.

Our Western region also consists of wastesheds in western New York, which includes Ithaca, Elmira, Oneonta, Lowville, Potsdam, Geneva, Auburn, Dunkirk, Jamestown and Olean markets. We entered these wastesheds in 1997 and have expanded primarily through tuck-in acquisitions and organic growth. Our Western region collection operations include leadership positions in nearly every rural market outside of the larger metropolitan markets such as Syracuse, Rochester, Buffalo and Albany.

We remain focused on increasing our vertical integration in our Western region through extension of our reach into new markets and managing new materials. We believe that maximizing these logistics through the use of rail, if implemented, long haul trucks and trailer tippers at our facilities will increase our reach.

Recycling

Our Recycling segment is one of the largest processors and marketers of recycled materials in the northeastern United States, comprised of eight MRFs that process and market recyclable materials that municipalities and commercial customers deliver under long-term contracts. Two of the eight MRFs are leased, three are owned, and three are operated by us under contracts with municipal third-parties. In fiscal year 2017, the Recycling segment processed and/or marketed over 0.7 million tons of recyclable materials including tons marketed through our commodity brokerage division and our baling facilities located throughout our footprint. Recycling's facilities are located in Vermont, New York, Maine, and Massachusetts.

A substantial portion of the material provided to Recycling is delivered pursuant to six anchor contracts. The anchor contracts have an original term of five to twenty years and expire at various times through 2028. The terms of the

recycling contracts vary, but all of the contracts provide that the municipality or a third-party delivers the recycled materials to our facility. Under the recycling contracts, we charge the municipality a fee for each ton of material delivered to us. Some contracts contain revenue sharing arrangements under which the municipality receives a specified percentage of our revenues from the sale of the recovered materials.

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Our Recycling segment derives a significant portion of its revenues from the sale of recyclable materials. Since purchase and sale prices of recyclable materials, particularly newspaper, corrugated containers, plastics, ferrous and aluminum, can fluctuate based upon market conditions, we use long-term supply contracts with customers to reduce commodity risk. Under such contracts, we obtain a guaranteed minimum price for recyclable materials through the receipt of a tipping fee when commodity prices fall below agreed upon thresholds. Conversely, when prices for recyclable materials rise above agreed upon thresholds, we provide the counterparty with a portion of the related revenues. The contracts are generally with large domestic companies that use the recyclable materials in their manufacturing process, such as paper, packaging and consumer goods companies. In fiscal year 2017, 35.5% of the revenues from the sale of residential recyclable materials were derived from sales under long-term contracts. At times, we also hedge against fluctuations in the commodity prices of recycled paper and corrugated containers in order to mitigate the variability in cash flows and earnings generated from the sales of recycled materials at floating prices. As of December 31, 2017, no such commodity hedges were in place. Also, we mitigate the impact from commodity price fluctuations through the use of a floating SRA fee charged to collection customers to offset recycling commodity risk. The global recycling market has experienced further negative commodity pricing pressure in 2017, which has continued into early 2018. Markets are expected to remain depressed into the foreseeable future, as China launched its National Sword program aimed at reducing contamination levels in imported recyclables and eliminating certain commodity grades. Due to China's reduced purchasing of commodities, export pricing for mixed paper declined by 80% from July 2017 through February 2018, and OCC pricing declined 45% during the same period.

Other

Our Other segment derives a significant portion of its revenues from our Customer Solutions and Organics businesses. Our resource solutions strategy seeks to leverage our core competencies in materials processing, industrial recycling, clean energy, and organics service offerings in order to generate additional value from the waste stream for our customers. Our Customer Solutions business works with larger scale organizations (including multi-location customers, colleges and universities, municipalities, and industrial customers) to develop customized solid waste solutions. The focus of this business is to help these large scale organizations achieve waste reduction and diversion goals to meet their economic and environmental objectives. We differentiate our services from our competitors by providing a customized set of comprehensive resource solutions, which enables us to win new business, including traditional solid waste collection and disposal customers.

Our Organics business has been working to develop and/or partner with firms that have developed innovative approaches to deriving incremental value from the organic portion of the waste stream. Through our Earthlife® soils products, we offer a wide array of organic fertilizers, composts, and mulches that help our customers recycle organic waste streams. We also have ownership interests in AGreen Energy, LLC and BGreen Energy, LLC, which we account for as cost method investments, that partner with other capital investors to build farm-based anaerobic digesters in the northeastern United States to generate electricity from farm and food waste streams.

Competition

The solid waste services industry is highly competitive. We compete for collection and disposal volume primarily on the basis of the quality, breadth and price of our services. From time to time, competitors may reduce the price of their services in an effort to expand market share or to win a competitively bid municipal contract. These practices may also lead to reduced pricing for our services or the loss of business. In addition, competition exists within the industry for potential acquisition candidates.

The larger urban markets in which we compete are served by one or more of the large national solid waste companies, including Waste Management, Inc., Republic Services, Inc. and Waste Connections, Inc., any of which may be able to achieve greater economies of scale than we can. We also compete with a number of regional and local companies that offer competitive prices and quality service. In addition, we compete with operators of alternative disposal facilities, including incinerators, and with certain municipalities, counties and districts that operate their own solid waste collection and disposal facilities. Public sector facilities may have certain advantages over us due to the availability of user fees, charges or tax revenues.

Marketing and Sales

We have fully integrated sales and marketing strategies with a primary focus on acquiring and retaining commercial, industrial, municipal and residential customers. Our business strategy focuses on creating a highly differentiated sustainable resource management model that meets customers' unique needs and provides value "beyond the curb". Maintenance of a local presence and identity is an important aspect of our sales and marketing strategy, and many of our divisional managers are involved in local governmental, civic and business organizations. Our name and logo, or, where appropriate, that of our divisional operations, are displayed on all of our containers and trucks. We attend and make presentations at municipal and state meetings, and we advertise in a variety of media throughout our service footprint.

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The Customer Solutions business serves customers with multiple locations and is focused on growing our share of business with municipal, institutional, commercial and industrial customers. This group provides customers with a broader set of solutions to augment our regional and divisional service capabilities.

Marketing activities are focused on retaining existing customers and attracting new commercial and residential customers directly on-route in order to enhance profitability. Marketing campaigns are integrated with divisional management teams, sales personnel and the centralized customer care center.

Employees

As of January 31, 2018, we employed approximately 2,000 people, including approximately 400 professionals or managers, sales, clerical, information systems or other administrative employees and approximately 1,600 employees involved in collection, transfer, disposal, recycling or other operations. Approximately 100 of our employees are covered by collective bargaining agreements. We believe relations with our employees are good.

Risk Management, Insurance and Performance or Surety Bonds

We actively maintain environmental and other risk management programs that we believe are appropriate for our business. Our environmental risk management program includes evaluating existing facilities, as well as potential acquisitions, for compliance with environmental law requirements. Operating practices at all of our operations are intended to reduce the possibility of environmental contamination, enforcement actions and litigation. We also maintain a worker safety program, which focuses on safe practices in the workplace.

We carry a range of insurance intended to protect our assets and operations, including a commercial general liability policy and a property damage policy. A partially or completely uninsured claim against us (including liabilities associated with cleanup or remediation at our facilities), if successful and of sufficient magnitude, could have a material adverse effect on our business, financial condition and results of operations. Any future difficulty in obtaining insurance could also impair our ability to secure future contracts, which may be conditioned upon the availability of adequate insurance coverage.

See also Item 1, "Business", Item 3, "Legal Proceedings" and Note 10, Commitments and Contingencies to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K.

We self-insure for automobile and workers' compensation coverage with reinsurance coverage limiting our maximum exposure. Our maximum exposure in fiscal year 2017 under the workers' compensation plan was \$1.0 million per individual event. Our maximum exposure in fiscal year 2017 under the automobile plan was \$1.2 million per individual event.

Municipal solid waste collection contracts and landfill closure and post-closure obligations may require performance or surety bonds, letters of credit or other means of financial assurance to secure contractual performance. While we have not experienced difficulty in obtaining these financial instruments, if we are unable to obtain these financial instruments in sufficient amounts or at acceptable rates we could be precluded from entering into additional municipal contracts or obtaining or retaining landfill operating permits.

We hold a 19.9% ownership interest in Evergreen National Indemnity Company ("Evergreen"), a surety company which provides surety bonds to secure our contractual obligations for certain municipal solid waste collection contracts and landfill closure and post-closure obligations. Our ownership interest in Evergreen is pledged to Evergreen as security for our obligations under the bonds they provide on our behalf.

Customers

We provide our collection services to commercial, institutional, industrial and residential customers. A majority of our commercial and industrial collection services are performed under one-to-five year service agreements, and fees are determined by such factors as: professional or management services required; collection frequency; type of equipment and containers furnished; the type, volume and weight of the solid waste collected; the distance to the disposal or processing facility; and the cost of disposal or processing. Our residential collection and disposal services are performed either on a subscription basis (with no underlying contract) with individuals, or through contracts with municipalities, homeowners associations, apartment owners or mobile home park operators.

Our Recycling segment provides recycling services to municipalities, commercial haulers and commercial waste generators within the geographic proximity of the processing facilities.

Seasonality and Severe Weather

Our transfer and disposal revenues historically have been higher in the late spring, summer and early fall months. This seasonality reflects lower volumes of waste in the late fall, winter and early spring months because: the volume of waste relating to C&D activities decreases substantially during the winter months in the northeastern United States; and

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decreased tourism in Vermont, New Hampshire, Maine and eastern New York during the winter months tends to lower the volume of waste generated by commercial and restaurant customers, which is partially offset by increased volume from the ski industry.

Because certain of our operating and fixed costs remain constant throughout the fiscal year, operating income is therefore impacted by a similar seasonality. Our operations can be adversely affected by periods of inclement or severe weather, which could increase our operating costs associated with the collection and disposal of waste, delay the collection and disposal of waste, reduce the volume of waste delivered to our disposal sites, increase the volume of waste collected under our existing contracts (without corresponding compensation), decrease the throughput and operating efficiency of our materials recycling facilities, or delay construction or expansion of our landfill sites and other facilities. Our operations can also be favorably affected by severe weather, which could increase the volume of waste in situations where we are able to charge for our additional services provided.

Our Recycling segment experiences increased volumes of fiber in November and December due to increased newspaper advertising and retail activity during the holiday season.

Regulation

Introduction

We are subject to extensive federal, state and local environmental laws and regulations which have become increasingly stringent in recent years. The environmental regulations affecting us are administered by the United States Environmental Protection Agency (“EPA”) and other federal, state and local environmental, zoning, health and safety agencies. Failure to comply with such requirements could result in substantial costs, including civil and criminal fines and penalties. Except as described in this Annual Report on Form 10-K, we believe that we are currently in substantial compliance with applicable federal, state and local environmental laws, permits, orders and regulations. Other than as disclosed herein, we do not currently anticipate any material costs to bring our existing operations into environmental compliance, although there can be no assurance in this regard for the future. We expect that our operations in the solid waste services industry will be subject to continued and increased regulation, legislation and enforcement oversight. We attempt to anticipate future legal and regulatory requirements and to keep our operations in compliance with those requirements.

In order to transport, process, or dispose of solid waste, it is necessary for us to possess and comply with one or more permits from federal, state and/or local agencies. We must renew these permits periodically, and the permits may be modified or revoked by the issuing agency under certain circumstances.

The principal federal statutes and regulations applicable to our operations are as follows:

The Resource Conservation and Recovery Act of 1976, as amended (“RCRA”)

The RCRA regulates the generation, treatment, storage, handling, transportation and disposal of solid waste and requires states to develop programs to ensure the safe disposal of solid waste. The RCRA divides waste into two categories, hazardous and non-hazardous. Wastes are generally classified as hazardous if they either (a) are specifically included on a list of hazardous wastes, or (b) exhibit certain characteristics defined as hazardous and are not specifically designated as non-hazardous. Wastes classified as hazardous waste are subject to more extensive regulation than wastes classified as non-hazardous, and businesses that deal with hazardous waste are subject to regulatory obligations in addition to those imposed on businesses that deal with non-hazardous waste.

Among the wastes that are specifically designated as non-hazardous are household waste and “special” waste, including items such as petroleum contaminated soils, asbestos, foundry sand, shredder fluff and most non-hazardous industrial waste products.

The EPA regulations issued under Subtitle C of the RCRA impose a comprehensive “cradle to grave” system for tracking the generation, transportation, treatment, storage and disposal of hazardous wastes. Subtitle C regulations impose obligations on generators, transporters and disposers of hazardous wastes, and require permits that are costly to obtain and maintain for sites where those businesses treat, store or dispose of such material. Subtitle C requirements include detailed operating, inspection, training and emergency preparedness and response standards, as well as requirements for manifesting, record keeping and reporting, corrective action, facility closure, post-closure and financial responsibility. Most states have promulgated regulations modeled on some or all of the Subtitle C provisions

issued by the EPA, and in many instances the EPA has delegated to those states the principal role in regulating businesses which are subject to those requirements. Some state regulations impose obligations different from and in addition to those the EPA imposes under Subtitle C.

Leachate generated at our landfills and transfer stations is tested on a regular basis, and generally is not regulated as a hazardous waste under federal law. However, there is no guarantee that leachate generated from our facilities in the future will not be classified as hazardous waste.

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In October 1991, the EPA adopted the Subtitle D regulations under RCRA governing solid waste landfills. The Subtitle D regulations, which generally became effective in October 1993, include siting restrictions, facility design standards, operating criteria, closure and post-closure requirements, financial assurance requirements, groundwater monitoring requirements, groundwater remediation standards and corrective action requirements. In addition, the Subtitle D regulations require that new landfill sites meet more stringent liner design criteria (typically, composite soil and synthetic liners or two or more synthetic liners) intended to keep leachate out of groundwater and have extensive collection systems to carry away leachate for treatment prior to disposal. Regulations generally require us to install groundwater monitoring wells at virtually all landfills we operate, to monitor groundwater quality and, indirectly, the effectiveness of the leachate collection systems. The Subtitle D regulations also require facility owners or operators to control emissions of landfill gas (including methane) generated at landfills exceeding certain regulatory thresholds. State landfill regulations must meet those requirements or the EPA will impose such requirements upon landfill owners and operators in that state.

The Federal Water Pollution Control Act of 1972, as amended (“Clean Water Act”)

The Clean Water Act regulates the discharge of pollutants into the “waters of the United States” from a variety of sources, including solid waste disposal sites and transfer stations, processing facilities and waste-to-energy facilities (collectively, “solid waste management facilities”). If run-off or treated leachate from our solid waste management facilities is discharged into streams, rivers or other surface waters, the Clean Water Act would require us to apply for and obtain a discharge permit, conduct sampling and monitoring and, under certain circumstances, reduce the quantity of pollutants in such discharge. A permit also may be required if that run-off or leachate is discharged to an offsite treatment facility. Almost all solid waste management facilities must comply with the EPA’s storm water regulations, which govern the discharge of regulated storm water to surface waters.

Under federal regulation, facilities that have above ground and/or below ground petroleum storage capacities over certain thresholds may be subject to regulations and/or permitting under the Clean Water Act. Many of our facilities have petroleum storage and are required to have a spill, prevention, control and countermeasures (“SPCC”) plan to prevent petroleum release to waters of the U.S. due to a spill, rupture or leak.

Several states in which we operate have been delegated the authority to implement the Clean Water Act requirements and in some cases the regulations are more stringent than the federal regulations. We believe we are in compliance with the Clean Water Act regulations; however future changes to the law or regulations could have a material impact on our business.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (“CERCLA”) CERCLA established a regulatory and remedial program intended to provide for the investigation and remediation of facilities where, or from which, a release of any hazardous substance into the environment has occurred or is threatened. CERCLA has been interpreted to impose retroactive, strict, and under certain circumstances, joint and severable, liability for the costs to investigate and clean up facilities on current owners and operators of the site, former owners and operators of the site at the time of the disposal of the hazardous substances, as well as the generators and certain transporters of the hazardous substances. CERCLA imposes liability for the costs of evaluating and addressing damage to natural resources. The costs of CERCLA investigation and cleanup can be substantial. Liability under CERCLA does not depend upon the existence or disposal of “hazardous waste” as defined by RCRA, but can be based on the presence of any of more than 700 “hazardous substances” listed by the EPA, many of which can be found in household waste. The definition of “hazardous substances” in CERCLA incorporates substances designated as hazardous or toxic under the Federal Clean Water Act, Clean Air Act and Toxic Substances Control Act (“TSCA”). If we were found to be a responsible party for a CERCLA cleanup, under certain circumstances, the enforcing agency could pursue us or any other responsible party, for all investigative and remedial costs, even if others also were liable. CERCLA also authorizes the EPA to impose a lien in favor of the United States upon all real property subject to, or affected by, a remedial action for all costs for which the property owner is liable. CERCLA provides a responsible party with the right to bring a contribution action against other responsible parties for their allocable share of investigative and remedial costs. Our ability to obtain reimbursement for amounts we pay in excess of our allocable share of such costs would be limited by our ability to identify and locate other responsible parties and to prove the

extent of their responsibility and by the financial resources of such other parties.

The Clean Air Act of 1970, as amended ("Clean Air Act")

The Clean Air Act, generally through state implementation of federal requirements, regulates emissions of air pollutants from certain landfills based upon the date the landfill was constructed, the total capacity of the landfill and the annual volume of emissions. The EPA has promulgated new source performance standards regulating air emissions of certain regulated pollutants (non-methane organic compounds) from municipal solid waste landfills. Landfills located in areas where ambient levels of regulated pollutants exceed certain thresholds may be subject to more extensive air pollution controls and emission limitations. In addition, the EPA has issued standards regulating the disposal of asbestos-containing materials under the Clean Air Act.

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The EPA is also focusing on the emissions of greenhouse gases, or GHG, including carbon dioxide and methane. In December, 2009, the EPA issued its “endangerment finding” that carbon dioxide poses a threat to human health and welfare, providing the basis for the EPA to regulate GHG emissions. In December 2009 the EPA’s “Mandatory Reporting of Greenhouse Gases” rule went into effect, requiring facilities that emit twenty-five thousand metric tons or more per year of GHG emissions to submit annual reports to the EPA.

In June 2010, the EPA issued the so-called “GHG Tailoring Rule”, which described how certain sources that emit GHG would be subject to heightened Clean Air Act PSD / Title V regulation. In June 2014, the U.S. Supreme Court issued a decision partially invalidating EPA’s Tailoring Rule. We do not know whether or when the EPA will put those regulations in place following the Supreme Court decision, or what obligations such regulations will impose on our operations.

The adoption of other laws and regulations, which may include the imposition of fees or taxes, could adversely affect our collection and disposal operations. Additionally, certain of the states in which we operate are contemplating air pollution control regulations, including state or regional cap and trade systems, relating to GHG that may be more stringent than regulations the EPA may promulgate. Changing environmental regulations could require us to take any number of actions, including purchasing emission allowances or installing additional pollution control technology, and could make some operations less profitable, which could adversely affect our results of operations.

Congress has considered various options, including a cap and trade system, which could impose a limit on and establish a pricing mechanism for GHG emissions and emission allowances. There also is pressure for the United States to join international efforts to control GHG emissions.

The Clean Air Act regulates emissions of air pollutants from our processing facilities. The EPA has enacted standards that apply to those emissions. It is possible that the EPA, or a state where we operate, will enact additional or different emission standards in the future.

All of the federal statutes described above authorize lawsuits by private citizens to enforce certain provisions of the statutes. In addition to a penalty award to the United States, some of those statutes authorize an award of attorney’s fees to private parties successfully advancing such an action.

The Occupational Safety and Health Act of 1970, as amended (“OSHA”)

OSHA establishes employer responsibilities and authorizes the Occupational Safety and Health Administration to promulgate and enforce occupational health and safety standards, including the obligation to maintain a workplace free of recognized hazards likely to cause death or serious injury, to comply with adopted worker protection standards, to maintain certain records, to provide workers with required disclosures and to implement certain health and safety training programs. A variety of those promulgated standards may apply to our operations, including those standards concerning notices of hazards, safety in excavation and demolition work, the handling of asbestos and asbestos-containing materials, and worker training and emergency response programs.

The Public Utility Regulatory Policies Act of 1978, As Amended (“PURPA”)

PURPA exempts qualifying facilities from most federal and state laws governing the financial organization and rate regulation of electric utilities, and generally requires electric utilities to purchase electricity generated by qualifying facilities at a price equal to the utility’s full “avoided cost”. Our four landfill gas-to-energy facilities are self-certified as “qualifying facilities”.

State and Local Regulations

Each state in which we now operate or may operate in the future has laws and regulations governing (1) water and air pollution, and the generation, storage, treatment, handling, processing, transportation, incineration and disposal of solid waste and hazardous waste; (2) in most cases, the siting, design, operation, maintenance, closure and post-closure maintenance of solid waste management facilities; and (3) in some cases, vehicle emissions limits or fuel types, which impact our collection operations. Such standards typically are as stringent as, and may be more stringent and broader in scope than, federal regulations. Most of the federal statutes noted above authorize states to enact and enforce laws with standards that are more protective of the environment than the federal analog. In addition, many states have adopted statutes comparable to, and in some cases more stringent than, CERCLA. Those statutes impose requirements for investigation and remediation of contaminated sites and liability for costs and damages associated

with such sites, and some authorize the state to impose liens to secure costs expended addressing contamination on property owned by responsible parties. Some of those liens may take priority over previously filed instruments. Some states have enacted statutes that impose liability for substances in addition to the “hazardous substances” listed by EPA under CERCLA.

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Many municipalities in which we currently operate or may operate in the future also have ordinances, laws and regulations affecting our operations. These include zoning and health measures that limit solid waste management activities to specified sites or conduct, flow control provisions that direct the delivery of solid wastes to specific facilities or to facilities in specific areas, laws that grant the right to establish franchises for collection services and then put out for bid the right to provide collection services, and bans or other restrictions on the movement of solid wastes into a municipality.

Some states have enacted laws that allow agencies with jurisdiction over waste management facilities to deny or revoke permits based on the applicant's or permit holder's compliance status. Some states also consider the compliance history of the corporate parent, subsidiaries and affiliates of the applicant or permit holder.

Certain permits and approvals issued under state or local law may limit the types of waste that may be accepted at a solid waste management facility or the quantity of waste that may be accepted at a solid waste management facility during a specific time period. In addition, certain permits and approvals, as well as certain state and local regulations, may limit a solid waste management facility to accepting waste that originates from specified geographic areas or seek to restrict the importation of out-of-state waste or otherwise discriminate against out-of-state waste. Generally, restrictions on importing out-of-state waste have not withstood judicial challenge. However, from time to time federal legislation is proposed which would allow individual states to prohibit the disposal of out-of-state waste or to limit the amount of out-of-state waste that could be imported for disposal and would require states, under certain circumstances, to reduce the amounts of waste exported to other states. Although such legislation has not been passed by Congress, if similar legislation is enacted, states in which we operate solid waste management facilities could limit or prohibit the importation of out-of-state waste. Such actions could materially and adversely affect the business, financial condition and results of operations of any of our landfills within those states that receive a significant portion of waste originating from out-of-state.

Certain states and localities may restrict the export of waste from their jurisdiction, or require that a specified amount of waste be disposed of at facilities within their jurisdiction. In 1994, the U.S. Supreme Court rejected as unconstitutional and therefore invalid, a local ordinance that sought to limit waste going out of the locality by imposing a requirement that the waste be delivered to a particular privately-owned facility. However, in 2007, the U.S. Supreme Court upheld a U.S. District Court ruling that the flow control regulations in Oneida and Herkimer counties in New York requiring trash haulers to use publicly-owned transfer stations are constitutional, and therefore valid. Additionally, certain state and local jurisdictions continue to seek to enforce such restrictions. Some proposed federal legislation would allow states and localities to impose flow restrictions. Those restrictions could reduce the volume of waste going to solid waste management facilities in certain areas, which may materially adversely affect our ability to operate our facilities and/or affect the prices we can charge for certain services. Those restrictions also may result in higher disposal costs for our collection operations. Flow control restrictions could have a material adverse effect on our business, financial condition and results of operations.

There has been an increasing trend at the state and local levels to mandate or encourage both waste reduction at the source and waste recycling, and to prohibit or restrict the disposal in landfills of certain types of solid wastes, including yard wastes and leaves, certain construction or architectural wastes, food wastes, beverage containers, newspapers, household appliances and electronics such as computers, and batteries. Regulations reducing the volume and types of wastes available for transport to and disposal in landfills could affect our ability to operate our landfill facilities. Vermont, for example, enacted Act 148, containing among other things, a phased waste ban for recyclables, organics and leaf/yard waste. The law became effective July 1, 2012, with phased deadlines for compliance beginning 2014 through 2020. Vermont also passed a law requiring recycling of architectural waste from construction or demolition of a commercial project. The law became effective in January 2015.

Massachusetts revised its regulations governing solid waste management with a framework to encourage the re-use of organic waste material and prohibiting such material from disposal for large-scale commercial generators by October 2014.

New York State revised its regulations governing solid waste management, 6 NYCRR Part 360, effective in November 2017. The revised regulations, among other things, include requirements to conduct landfill liner integrity

testing and install radiation detectors at certain facilities.

Although there is no federal law governing extended producer responsibility (“EPR”) regulations; many states have implemented EPR regulations for certain products. EPR regulations are intended to place responsibility for ultimate management or end-of-useful-life handling of the products they create. In addition to financial responsibility, an EPR program may include responsibility for local take-back or recycling programs. For example, several states in which we operate have EPR regulations for electronic waste. If broad EPR laws or regulations were adopted and managed under a manufacturer implemented program, it could have an impact on our business.

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The EPA and environmental agencies within individual states in which we operate also consider and promulgate changes to water quality standards, action levels, remediation goals, and other federal or state regulatory standards for individual compounds or classes of compounds. These changes can also include the development of new or more stringent standards for “Emerging Contaminants”, including PFC compounds, pharmaceutical compounds, and a variety of synthetic chemical compounds used in manufacturing and industrial processes. In December 2016, EPA also designated ten chemical substances for risk evaluations under TSCA, based on the requirements of the June 2016 Frank R. Lautenberg Chemical Safety for the 21st Century Act. Changes in regulatory standards for existing or emerging contaminants can result in higher levels of cost and effort associated with the performance of environmental investigations and ongoing compliance at our facilities.

Executive Officers of the Registrant

Our executive officers and their respective ages are as follows:

Name	Age	Position
John W. Casella	67	Chairman of the Board of Directors, Chief Executive Officer and Secretary
Edwin D. Johnson	61	President and Chief Operating Officer
Edmond “Ned” R. Coletta	42	Senior Vice President and Chief Financial Officer
Christopher B. Heald	53	Vice President and Chief Accounting Officer
David L. Schmitt	67	Senior Vice President and General Counsel

John W. Casella has served as Chairman of our Board of Directors since July 2001 and as our Chief Executive Officer since 1993. Mr. Casella also served as our President from 1993 to July 2001 and as Chairman of our Board from 1993 to December 1999. In addition, Mr. Casella has served as Chairman of the Board of Directors of Casella Waste Management, Inc., a wholly-owned subsidiary of ours, since 1977. Mr. Casella is also an executive officer and director of Casella Construction, Inc., a company owned by Mr. Casella and his brother Douglas R. Casella, also a member of our Board of Directors, which specializes in general contracting, soil excavation and heavy equipment work, and which performs landfill-construction and related services for us. Mr. Casella has been a member of numerous industry-related and community service-related state and local boards and commissions, including the National Recycling Coalition, Board of Directors of the Associated Industries of Vermont, the Association of Vermont Recyclers, the Vermont State Chamber of Commerce, the Rutland Industrial Development Corporation and the Rutland Regional Medical Center. Mr. Casella has also served on various state task forces, serving in an advisory capacity to the Governors of Vermont and New Hampshire on solid waste issues. Mr. Casella holds an A.S. in Business Management from Bryant & Stratton College and a B.S. in Business Education from Castleton State College.

Edwin D. Johnson has served as our President and Chief Operating Officer since December 2012 and as our Senior Vice President and Chief Financial Officer from July 2010 until December 2012. From March 2007 to July 2010, Mr. Johnson served as Executive Vice President, Chief Financial Officer and Chief Accounting Officer at Waste Services, Inc, a solid waste services company. From November 2004 to March 2007, Mr. Johnson served as Chief Financial Officer of Expert Real Estate Services, Inc., a full service real estate brokerage company. Mr. Johnson is a Certified Public Accountant and holds an MBA from Florida International University and a Bachelor of Science in Accounting and Administration from Washington & Lee University.

Edmond “Ned” R. Coletta has served as our Senior Vice President, Chief Financial Officer and Treasurer since December 2012. Mr. Coletta joined us in December 2004 and has served in positions of increasing responsibility, including as our Vice President of Finance and Investor Relations from January 2011 to December 2012. Prior to that Mr. Coletta served as our Director of Finance and Investor Relations from August 2005 to January 2011. From 2002 until he joined us, Mr. Coletta served as the Chief Financial Officer and was a member of the Board of Directors of Avedro, Inc. (FKA ThermalVision, Inc.), an early stage medical device company that he co-founded. From 1997 to 2001, he served as a research and development engineer for Lockheed Martin Michoud Space Systems. Mr. Coletta holds an MBA from the Tuck School of Business at Dartmouth College and a Bachelor of Science in Materials Science Engineering from Brown University.

Christopher B. Heald has served as our Vice President of Finance and Chief Accounting Officer since January 2013. Mr. Heald joined us in September 2001 and has served in positions of increasing responsibility, including as our Director of Financial Reporting and Analysis from July 2010 to January 2013 and as our Accounting Manager from August 2002 to July 2010. Mr. Heald is a Certified Public Accountant and holds a Bachelor of Science in Business Administration from the University of Vermont.

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David L. Schmitt has served as our Senior Vice President and General Counsel since June 2012. Mr. Schmitt joined us in May 2006 as our Vice President, General Counsel. Prior to that, Mr. Schmitt served as President of a privately held consulting firm, and further served from 2002 until 2005 as Vice President and General Counsel of BioEnergy International, LLC, (a predecessor company to Myriant Corporation), a firm specializing in the production of bio-succinic acid. He served from 1995 until 2001, as Senior Vice President, General Counsel and Secretary of Bradlees, Inc., a retailer in the northeast United States, and from 1986 through 1990, as Vice President and General Counsel of Wheelabrator Technologies, Inc., a multi-faceted corporation specializing in the development, ownership and operation of large-scale power facilities, fueled by solid waste and other alternative fuels. He is admitted to the Bar of Pennsylvania, and holds a Juris Doctor, cum laude, from Duquesne University School of Law and a Bachelor of Arts degree from The Pennsylvania State University.

Available of Reports and Other Information

Our website is www.casella.com. We make available, free of charge through our website, our Annual and Transition Reports on Form 10-K and 10-KT, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A, and any amendments to those materials filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended. We make these reports available through our website as soon as reasonably practicable after we electronically file such materials with or furnish them to the Securities and Exchange Commission ("SEC"). The information found on our website is not part of this or any other report we file with or furnish to the SEC. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy and information statements, and other information regarding us and other issuers that file electronically with the SEC. The SEC's Internet website address is www.sec.gov.

ITEM 1A. RISK FACTORS

The following important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Annual Report on Form 10-K and presented elsewhere by management from time to time. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, including overall economic and industry conditions, especially in the northeastern United States, where our operations and customers are principally located, changes in laws or accounting rules or other disruptions of expected economic or business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are not material also may impair our business's results of operations and financial condition.

We have in place an Enterprise Risk Management process that involves systematic risk identification and mitigation covering the categories of strategic, financial, operational, and compliance risk. The goal of enterprise risk management is not to eliminate all risk, but rather to identify and assess risks; assign, mitigate and monitor risks; and report the status of our risks to the Board of Directors and its committees.

Risks Related to Our Business

We face substantial competition in the solid waste services industry, and if we cannot successfully compete in the marketplace, our business, financial condition and results of operations may be materially adversely affected. The solid waste services industry is highly competitive, has undergone a period of consolidation and requires substantial labor and capital resources. The markets in which we compete are served by, or are adjacent to markets served by, one or more of the large national or super regional solid waste companies, as well as numerous regional and local solid waste companies. Intense competition exists not only to provide services to customers, but also to acquire other businesses within each market. Some of our competitors have significantly greater financial and other resources than we do. From time to time, competitors may reduce the price of their services in an effort to expand market share or to win a competitively bid contract. These practices may require us to reduce the pricing of our services and may result in a loss of business.

As is generally the case in our industry, municipal contracts are typically subject to periodic competitive bidding. We may not be the successful bidder to obtain or retain these contracts. If we are unable to compete with larger and better

capitalized companies or replace municipal contracts lost through the competitive bidding process with comparable contracts or other revenue sources within a reasonable time period, our revenues would decrease and our operating results could be materially adversely affected.

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In our solid waste disposal markets, we also compete with operators of alternative disposal and recycling facilities and with counties, municipalities and solid waste districts that maintain their own solid waste collection, recycling and disposal operations. We are also increasingly competing with companies which seek to use parts of the waste stream as feedstock for renewable energy supplies. Public entities may have financial advantages because of their ability to charge user fees or similar charges, impose taxes and apply resulting revenues, access tax-exempt financing and, in some cases, utilize government subsidies.

In addition, we may be impacted by the development and commercialization of disruptive technologies that may materially change how waste management services are provided. If we are unable to gain access to these technologies or to compete effectively against them, our financial results may suffer.

We also experience competition in our hiring of drivers and mechanics necessary to service our customers. This competition may come from other waste management companies, but it also comes from other employers who hire drivers and maintain fleets, such as companies that provide courier delivery services, including United Parcel Service, Inc. and FedEx Corporation, as well as from a tightening labor market. If we are unable to hire and retain sufficient numbers of drivers to service our collection and disposal routes and mechanics to maintain our trucks, our financial condition and operating results could be materially impacted.

The waste management industry is undergoing fundamental change as traditional waste streams are increasingly viewed as renewable resources, which may adversely affect volumes and tipping fees at our landfills.

As we continue to develop our landfill capacity, the waste management industry is recognizing the value of the waste stream as a renewable resource, and accordingly, alternatives to landfilling are being developed that seek to maximize the renewable energy and other resource benefits of solid waste. These alternatives affect the demand for landfill airspace, and could affect our ability to operate our landfills at full capacity, as well as the tipping fees and prices that waste management companies generally, and that we, in particular, can charge for landfill airspace. Reduced tipping fees can affect our willingness to incur the expenditures necessary to increase the permitted capacity of the landfills. As a result, our revenues and operating margins could be materially adversely affected due to these disposal alternatives.

The waste industry is subject to extensive government regulations, including environmental regulations, and we incur substantial costs to comply with such regulations. Failure to comply with environmental or other regulations, as well as enforcement actions and litigation arising from an actual or perceived breach of such regulations, could subject us to fines, penalties, and judgments, and impose limits on our ability to operate and expand.

We are subject to potential liability and restrictions under environmental laws, including those relating to transportation, recycling, treatment, storage and disposal of wastes, discharges of pollutants to air and water, and the remediation of contaminated soil, surface water and groundwater. The waste management industry has been and will continue to be subject to regulation, including permitting and related financial assurance requirements, as well as attempts to further regulate the industry, including efforts to regulate the emission of greenhouse gases. Our solid waste operations are subject to a wide range of federal, state and, in some cases, local environmental, odor and noise and land use restrictions. If we are not able to comply with the requirements that apply to a particular facility or if we operate without the necessary approvals or permits, we could be subject to administrative or civil, and possibly criminal, fines and penalties, and we may be required to spend substantial capital to bring an operation into compliance, to temporarily or permanently discontinue activities, and/or take corrective actions, possibly including removal of landfilled materials. Those costs or actions could be significant to us and affect our results of operations, cash flows, and available capital. Environmental and land use laws also affect our ability to expand and, in the case of our solid waste operations, may dictate those geographic areas from which we must, or, from which we may not, accept solid waste. Those laws and regulations may limit the overall size and daily solid waste volume that may be accepted by a solid waste operation. If we are not able to expand or otherwise operate one or more of our facilities because of limits imposed under such laws, we may be required to increase our utilization of disposal facilities owned by third-parties, which could reduce our revenues and/or operating margins.

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In addition to complying with environmental laws and regulations, we are required to obtain government permits to operate our facilities, including all of our landfills. There is no guarantee that we will be able to obtain the requisite permits and, even if we could, that any permit (and any existing permits we currently hold) will be renewed or modified as needed to fit our business needs. Localities where we operate generally seek to regulate some or all landfill and transfer station operations, including siting and expansion of operations. The laws adopted by municipalities in which our landfills and transfer stations are located may limit or prohibit the expansion of a landfill or transfer station, as well as the amount of solid waste that we can accept at the landfill or transfer station on a daily, quarterly or annual basis, and any effort to acquire or expand landfills and transfer stations, which typically involves a significant amount of time and expense. We may not be successful in obtaining new landfill or transfer station sites or expanding the permitted capacity of any of our current landfills and transfer stations. If we are unable to develop additional disposal and transfer station capacity, our ability to achieve economies from the internalization of our waste stream will be limited. If we fail to receive new landfill permits or renew existing permits, we may incur landfill asset impairment and other charges associated with accelerated closure.

We have historically grown through acquisitions, may make additional acquisitions in the future, and we have tried and will continue to try to evaluate and limit environmental risks and liabilities presented by businesses to be acquired prior to the acquisition. It is possible that some liabilities may prove to be more difficult or costly to address than we anticipate. It is also possible that government officials responsible for enforcing environmental laws may believe an issue is more serious than we expect, or that we will fail to identify or fully appreciate an existing liability before we become responsible for addressing it. Some of the legal sanctions to which we could become subject could cause the suspension or revocation of a permit, prevent us from, or delay us in, obtaining or renewing permits to operate or expand our facilities, or harm our reputation. As of December 31, 2017, we had recorded \$5.8 million in environmental remediation liabilities for the estimated cost of our share of work associated with a consent order issued by the State of New York to remediate a scrap yard and solid waste transfer station owned by one of our acquired subsidiaries, including the recognition of accretion expense, and \$5.9 million in environmental remediation liabilities for the estimated cost of the future installation of a municipal waterline associated with Southbridge Recycling & Disposal Park, Inc. ("SRD") discussed below, including the recognition of accretion expense in other accrued liabilities and other long-term liabilities. There can be no assurance that the cost of such cleanup or that our share of that cost will not exceed our estimates.

In addition to the costs of complying with environmental laws and regulations, we incur costs defending against environmental litigation brought by government agencies and private parties. We are, and may be in the future, a defendant in lawsuits brought by parties alleging environmental damage, personal injury, and/or property damage, or seeking to overturn or prevent the issuance of an operating permit or authorization, all of which may result in us incurring significant liabilities.

In October 2015, our SRD subsidiary reported to the Massachusetts Department of Environmental Protection ("MADEP") results of analysis of samples collected pursuant to our existing permit from private drinking water wells located near the Town of Southbridge, Massachusetts ("Southbridge") landfill ("Southbridge Landfill"), which is operated by SRD. Those results indicated the presence of contaminants above the levels triggering notice and response obligations under MADEP regulations. In response to those results, we are carrying out an Immediate Response Action pursuant to Massachusetts General Law Chapter 21E ("Charlton 21E Obligations"). Further, we entered into an administrative consent order ("ACO") with MADEP, Southbridge, and the Town of Charlton, Massachusetts ("Charlton"), in April 2017. The ACO provides for equal sharing of costs between MADEP and us, of up to \$10.0 million (\$5.0 million each) for the Town to install a municipal waterline in Charlton. It is expected that Southbridge will issue a Bond for our portion of the waterline costs, and we expect to amend the Operating Agreement between us and the Town to provide for us to reimburse Southbridge for periodic payments under such Bond. This waterline will provide municipal water to certain Charlton residents, and under the ACO, the parties agreed that operation of the waterline shall enable the Charlton 21E Obligations to be closed without MADEP approval.

In February 2016, we and Southbridge received a Notice of Intent to Sue under the Resource Conservation and Recovery Act ("RCRA") sent on behalf of residents proximate to the Southbridge Landfill ("Residents"), threatening to

file suit against us alleging the groundwater contamination originated from the Southbridge Landfill. In February 2017, we received an additional Notice of Intent to Sue from the National Environmental Law Center under the Federal Clean Water Act (“CWA”) and RCRA (collectively the “Acts”) on behalf of Environment America, Inc., d/b/a Environment Massachusetts, and Toxics Action Center, Inc., which have referred to themselves as the Citizen Groups. On or about June 9, 2017, a lawsuit was filed against us, SRD and Southbridge in the U.S. District Court for the District of Massachusetts by the Citizen Groups and the Residents alleging violations of the Acts (the “Litigation”), and demanding a variety of damages and remedies under the Acts, including fines, remediation, mitigation and costs of litigation, and remedies for violations of Massachusetts civil law related to personal and property damages, including remediation, diminution of property values, compensation for lost use and enjoyment of properties, injunction of further operation of the Southbridge Landfill and costs of litigation, plus interest on any damage award, on behalf of the Residents.

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In November 2016, SRD received a cease and desist order (“Order”) from the Charlton alternate zoning enforcement officer, alleging that two stormwater detention basins on SRD’s property in Charlton existed in violation of Charlton zoning requirements. SRD appealed the Order to the Charlton Zoning Board of Appeals, which upheld the Order. In June 2017, SRD appealed the Charlton Zoning Board of Appeals decision to the Massachusetts Land Court. We believe it is reasonably possible that a loss will occur as a result of the Order although an estimate of loss cannot be reasonably provided at this time.

We may not have sufficient insurance coverage for our environmental liabilities, such coverage may not cover all of the potential liabilities we may be subject to and/or we may not be able to obtain insurance coverage in the future at reasonable expense, or at all. See "Legal Proceedings - Environmental Remediation Liability".

The conduct of our businesses is also subject to various other laws and regulations administered by federal, state and local governmental agencies, including tax laws, employment laws and competition laws, among others. New laws, regulations or governmental policy and their related interpretations, or changes in any of the foregoing, including taxes or other limitations on our services, may alter the environment in which we do business and, therefore, may impact our results or increase our costs or liabilities.

In certain jurisdictions, we are subject to compliance with specific obligations under competition laws due to our competitive position in those jurisdictions. For example, in May 2002, we entered into an assurance of discontinuance with the Vermont Attorney General’s Office concerning, among other matters, the conduct of our business in Vermont relating to certain contract terms applicable to our small commercial container customers. In August 2011, a revised final judgment of consent and order was entered by the Vermont Superior Court Washington Unit, Civil Division, as a result of some of our small commercial container customers having been mistakenly issued contracts that did not strictly comply with the terms of the assurance of discontinuance. Pursuant to the order, we paid a civil penalty in an aggregate amount of \$1.0 million. In July 2014, we entered into an assurance of discontinuance with the office of the New York Attorney General in connection with certain of our commercial practices in certain specified counties in New York, pursuant to which we paid the State of New York a sum of \$0.1 million. The assurances of discontinuance and order provide for certain restrictions on our customer contract terms, certain conditions on our business acquisitions, sales and market share and require us to maintain an internal compliance program. Failure to comply with these requirements or other laws or regulations could subject us to enforcement actions or financial penalties which could have a material adverse effect on our business.

See also Item 1, “Business”, Item 3, “Legal Proceedings” and Note 10, Commitments and Contingencies to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K.

Our results of operations are affected by fluctuating commodity prices and market requirements for recyclable materials.

Our results of operations have been and will continue to be affected by changing purchase or resale prices or market requirements for recyclable materials. Our recycling business involves the purchase and sale of recyclable materials, some of which are priced on a commodity basis. The commodity markets continue to see ongoing negative pressure on pricing associated with the decline of the fiber market due to less use of paper products such as newspaper and office paper as a result of increased on-line reading. As a result of these market changes, domestic demand for various recycled fibers from mill buyers has steadily declined over the past decade, and as such we have exported more of these materials overseas to China. In 2017, China launched a campaign called “National Sword” which has imposed significant restrictions on the importation into China of recyclable materials, including imposing new quality standards for contaminants in recyclable materials commencing January 1, 2018. Furthermore, China has not issued import licenses for its mills to import recyclable commodities for 2018, resulting in a stoppage of essentially all imports of recyclable commodities into China. These factors could have a significant impact on our business.

We seek to limit our exposure to fluctuating commodity prices through: our revenue sharing contracts that share commodity prices above a threshold level or charge a tipping fee below the threshold; our net commodity rate formula that allows us to pass back higher costs to sell commodities, including higher labor costs or equipment costs to meet new quality standards; our floating Sustainability Recycling Adjustment fee that passes back the cost of recycling to our collection customers; and as applicable, the use of hedging agreements, floor price contracts and long-term supply

contracts with customers. Although we have introduced these risk mitigation programs to help offset volatility in commodity prices and to offset higher labor or capital costs to meet more stringent contamination standards, we cannot provide assurance that we can use these programs with our customers in all circumstances or that they will mitigate these risks in an evolving recycling environment.

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Our business requires a high level of capital expenditures.

Our business is capital intensive. Our capital expenditure requirements include fixed asset purchases and capital expenditures for landfill development and cell construction, as well as site and cell closure. We use a substantial portion of our cash flows from operating activities toward capital expenditures, which reduces our flexibility to use such cash flows for other purposes, such as reducing our indebtedness. Our capital expenditures could increase if we make acquisitions or further expand our operations, or as a result of factors beyond our control, such as changes in federal, state or local governmental requirements. The amount that we spend on capital expenditures may exceed current expectations, which may require us to obtain additional funding for our operations or impair our ability to grow our business.

We are upgrading our technology infrastructure and there can be no assurance that our efforts will be completed on the projected timetable or that our investment will result in the expected gains.

We are upgrading our technology infrastructure, including an enterprise resource planning package and other systems that we believe will improve our internal processes and the productivity of our employees. These upgrades are complex and there can be no assurance that they will result in expected productivity gains and operating cost reductions on our anticipated timeline, if at all. In addition, if we are not able to maintain the security of our data, confidential information about us or our customers or suppliers could be inadvertently disclosed, subjecting us to possible expenses and other liabilities as well as adversely impacting customer and other third party relationships. If we are unable to benefit from new technologies, we may be at a competitive disadvantage to other companies in the waste management industry, in which case our operating results could suffer.

A cybersecurity incident could negatively impact our business and our relationships with customers, adversely affecting our financial results and exposing us to litigation risk.

We use computer technology in substantially all aspects of our business operations. We also use mobile devices, social networking and other online activities to connect with our customers and our employees to be able to process transactions and provide information that we feel is necessary to manage our business. Such uses give rise to cybersecurity risks, including security breach, espionage, system disruption, theft and inadvertent release of information. Our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' personal information, private information about employees, and financial and strategic information about us and our business partners. We also rely on a Payment Card Industry compliant third party to protect our customers' credit card information. Further, as we pursue our strategy to grow through acquisitions and to pursue new initiatives that improve our operations and cost structure, we are also expanding and improving our information technologies, resulting in a larger technological presence and corresponding exposure to cybersecurity risk. If we fail to assess and identify cyber security risks associated with acquisitions and new initiatives, we may become increasingly vulnerable to such risks. Additionally, while we have implemented measures to prevent security breaches and cyber incidents, our preventive measures and incident response efforts may not be entirely effective, especially as cyber security attacks continue to evolve. If our established network of security controls, policy enforcement mechanisms, educational awareness programs and monitoring systems that we use to address these threats to technology fail, the theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential litigation and liability and competitive disadvantage. While we have purchased insurance coverage for cybersecurity risks, there can be no assurance that any such coverage would be adequate to cover potential liability.

Our business is geographically concentrated and is therefore subject to regional economic downturns.

Our operations and customers are concentrated principally in New England and New York. Therefore, our business, financial condition and results of operations are susceptible to regional economic downturns and other regional factors, including state regulations and budget constraints and severe weather conditions. In addition, as we seek to expand in our existing markets, opportunities for growth within this region will become more limited and the geographic concentration of our business will increase.

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Our results of operations and financial condition may be negatively affected if we inadequately accrue for final capping, closure and post-closure costs or by the timing of these costs for our waste disposal facilities.

We have material financial obligations relating to final capping, closure and post-closure costs of our existing owned or operated landfills and will have material financial obligations with respect to any disposal facilities that we may own or operate in the future. Once the permitted capacity of a particular landfill is reached and additional capacity is not authorized, the landfill must be closed and capped, and we must begin post-closure maintenance. We establish accruals for the estimated costs associated with such final capping, closure and post-closure obligations over the anticipated useful life of each landfill on a per ton basis. We have provided and expect that we will in the future provide accruals for financial obligations relating to final capping, closure and post-closure costs of our owned or operated landfills, generally for a term of 30 years after closure of a landfill. Our financial obligations for final capping, closure or post-closure costs could exceed the amounts accrued or amounts otherwise receivable pursuant to trust funds established for this purpose. Such a circumstance could result in significant unanticipated charges that would have an adverse effect on our business.

In addition, the timing of any such final capping, closure or post-closure costs, which exceed established accruals, may further negatively affect our business. Since we will be unable to control the timing and amounts of such costs, we may be forced to delay investments or planned improvements in other parts of our business or we may be unable to meet applicable financial assurance requirements. Any of the foregoing would negatively affect our business and results of operations.

Fluctuations in fuel costs could affect our operating expenses and results.

The price and supply of fuel is unpredictable and fluctuates based on events beyond our control, including among others, geopolitical developments, supply and demand for oil and gas, actions by the Organization of the Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regional production patterns. Because fuel is needed to run our fleet of trucks, price escalations for fuel increase our operating expenses. In fiscal year 2017, we used approximately 4.9 million gallons of diesel fuel in our solid waste operations. Although we have a “fuel surcharge” program, based on a fuel index, to help offset increases in the cost of fuel, oil and lubricants arising from price volatility, contractual restrictions and competitive conditions may impact our opportunity to pass this fee on to our customers in all circumstances.

We could be precluded from entering into contracts or obtaining or maintaining permits or certain contracts if we are unable to obtain third-party financial assurance to secure our contractual obligations.

Public solid waste collection, recycling and disposal contracts, and obligations associated with landfill closure typically require performance or surety bonds, letters of credit or other means of financial assurance to secure our contractual performance. We currently obtain performance and surety bonds from Evergreen National Indemnity Company, in which we hold a 19.9% equity interest. If we are unable to obtain the necessary financial assurance in sufficient amounts or at acceptable rates, we could be precluded from entering into additional municipal contracts or from obtaining or retaining landfill management contracts or operating permits. Any future difficulty in obtaining insurance could also impair our ability to secure future contracts conditioned upon having adequate insurance coverage.

We may be required to write-off or impair capitalized costs or intangible assets in the future or we may incur restructuring costs or other charges, each of which could harm our earnings.

In accordance with generally accepted accounting principles in the United States, we capitalize certain expenditures and advances relating to our acquisitions, pending acquisitions, landfills, cost method investments and development projects. In addition, we have considerable unamortized assets. From time to time in future periods, we may be required to incur a charge against earnings in an amount equal to any unamortized capitalized expenditures and advances, net of any portion thereof that we estimate will be recoverable, through sale or otherwise, relating to: (1) any operation or other asset that is being sold, permanently shut down or impaired or has not generated or is not expected to generate sufficient cash flow; (2) any pending acquisition that is not consummated; (3) any landfill or development project that is not expected to be successfully completed; and (4) any goodwill or other intangible assets that are determined to be impaired.

In response to such charges and costs and other market factors, we may be required to implement restructuring plans in an effort to reduce the size and cost of our operations and to better match our resources with our market opportunities. As a result of such actions, we would expect to incur restructuring expenses and accounting charges which may be material. Several factors could cause a restructuring to adversely affect our business, financial condition and results of operations. These include potential disruption of our operations, the development of our landfill capacity and recycling technologies and other aspects of our business. Employee morale and productivity could also suffer and result in unintended employee attrition. Any restructuring would require substantial management time and attention and may divert management from other important work. Moreover, we could encounter delays in executing any restructuring plans, which could cause further disruption and additional unanticipated expense.

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See Note 3, Summary of Significant Accounting Policies and Note 16, Divestiture Transactions to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for disclosure related to asset impairments recognized during the disclosed reporting periods.

Our revenues and our operating income experience seasonal fluctuations.

Our transfer and disposal revenues historically have been higher in the late spring, summer and early fall months. This seasonality reflects the lower volume of solid waste during the late fall, winter and early spring months primarily because:

the volume of waste relating to C&D activities decreases substantially during the winter months in the northeastern United States; and

decreased tourism in Vermont, Maine and eastern New York during the winter months tends to lower the volume of solid waste generated by commercial and restaurant customers, which is partially offset by increased volume from the ski industry.

Since certain of our operating and fixed costs remain constant throughout the fiscal year, operating income is impacted by a similar seasonality. In addition, particularly harsh weather conditions typically result in increased operating costs.

Adverse weather conditions may limit our operations and increase the costs of collection and disposal.

Our collection and landfill operations could be adversely impacted by extended periods of inclement weather, or by increased severity of weather. Adverse weather could increase our operating costs associated with the collection and disposal of waste, delay the collection and disposal of waste, reduce the volume of waste delivered to our disposal sites, increase the volume of waste collected under our existing contracts (without corresponding compensation), decrease the throughput and operating efficiency of our materials recycling facilities, or delay construction or expansion of our landfill sites and other facilities. In addition, adverse weather conditions may result in the temporary suspension of our operations, which can significantly affect our operating results in the affected regions during those periods.

We may engage in acquisitions in the future with the goal of complementing or expanding our business, including developing additional disposal capacity. However, we may be unable to complete these transactions and, if executed, these transactions may not improve our business or may pose significant risks and could have a negative effect on our operations.

We have in the past, and we may in the future, make acquisitions in order to acquire or develop additional disposal capacity. These acquisitions may include “tuck-in” acquisitions within our existing markets, acquisitions of assets that are adjacent to or outside of our existing markets, or larger, more strategic acquisitions. In addition, from time to time we may acquire businesses that are complementary to our core business strategy. We may not be able to identify suitable acquisition candidates. If we identify suitable acquisition candidates, we may be unable to successfully negotiate the acquisition at a price or on terms and conditions acceptable to us, including as a result of the limitations imposed by our debt obligations. Furthermore, we may be unable to obtain the necessary regulatory approval to complete potential acquisitions.

Our ability to achieve the benefits from any potential future acquisitions, including cost savings and operating efficiencies, depends in part on our ability to successfully integrate the operations of such acquired businesses with our operations. The integration of acquired businesses and other assets may require significant management time and resources that would otherwise be available for the ongoing management of our existing operations. Any properties or facilities that we acquire may be subject to unknown liabilities, such as undisclosed environmental contamination, for which we would have no recourse, or only limited recourse, to the former owners of such properties. As a result, if a liability were asserted against us based upon ownership of an acquired property, we might be required to pay significant sums to settle it, which could adversely affect our financial results and cash flow.

Efforts by labor unions to organize our employees could divert management attention and increase our operating expenses.

Certain groups of our employees have chosen to be represented by unions, and we have negotiated collective bargaining agreements with these groups. The negotiation of collective bargaining agreements could divert

management attention and result in increased operating expenses and lower net income (or increased net loss). If we are unable to negotiate acceptable collective bargaining agreements, we may be subject to union-initiated work stoppages, including strikes. Depending on the type and duration of any labor disruptions, our revenues could decrease and our operating expenses could increase, which could adversely affect our financial condition, results of operations and cash flows. As of January 31, 2018, approximately 5% of our employees were represented by unions.

Our enterprise risk management process may not be effective in mitigating the risks to which we are subject, or in reducing the potential for losses in connection with such risks.

Our enterprise risk management framework is designed to minimize or mitigate the risks to which we are subject, as well as any losses stemming from such risks. Although we seek to identify, measure, monitor, report, and control our exposure to such risks, and employ a broad and diversified set of risk monitoring and mitigation techniques in the process, those techniques are

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inherently limited in their ability to anticipate the existence or development of risks that are currently unknown and unanticipated. The ineffectiveness of our enterprise risk management framework in mitigating the impact of known risks or the emergence of previously unknown or unanticipated risks may result in our incurring losses in the future that could adversely impact our financial condition and results of operations.

Risks Related to Our Indebtedness

We have substantial debt and have the ability to incur additional debt. The principal and interest payment obligations of such debt may restrict our future operations.

As of December 31, 2017, we had approximately \$497.7 million of outstanding principal indebtedness (excluding approximately \$22.5 million of outstanding letters of credit issued under our new term loan B facility ("Term Loan B Facility") and revolving line of credit facility ("Revolving Credit Facility" and, together with the Term Loan B Facility, the "Credit Facility"). The Credit Facility consists of the Term Loan B Facility with term loans in the outstanding principal amount of \$346.5 million and the Revolving Credit Facility with loans thereunder being available up to an aggregate principal amount of \$160.0 million, of which \$101.5 million of unused commitments remain under the Revolving Credit Facility, subject to customary borrowing conditions. In addition, the terms of our existing indebtedness permit us to incur additional debt. Our substantial debt, among other things:

requires us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, which reduces funds available for other business purposes, including capital expenditures and acquisitions;

places us at a competitive disadvantage compared with some of our competitors that may have less debt and better access to capital resources; and

limits our ability to obtain additional financing required to fund working capital and capital expenditures and for other general corporate purposes, but does allow us to increase the amount of our debt substantially subject to the conditions in the Credit Facility.

Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance and on economic, financial, competitive and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow, and future financings may not be available to provide sufficient net proceeds, to meet these obligations or to successfully execute our business strategy.

To service our indebtedness, we will require a significant amount of cash. However, our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on, and to refinance, our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future which, in turn, is subject to general economic, financial, competitive, regulatory and other factors, many of which are beyond our control.

Our business may not generate sufficient cash flows from operations and we may not have available to us future borrowings in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. In these circumstances, we may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all. Without this financing, we could be forced to sell assets or secure additional financing to make up for any shortfall in our payment obligations under unfavorable circumstances. However, we may not be able to secure additional financing on terms favorable to us or at all and, in addition, the terms of our debt agreements limit our ability to sell assets and also restrict the use of proceeds from such a sale. Moreover, substantially all of our assets have been pledged to secure repayment of our indebtedness under the Credit Facility. In addition, we may not be able to sell assets quickly enough or for amounts sufficient to enable it to meet our obligations.

The Credit Facility requires us to meet a number of financial ratios and covenants.

The Credit Facility contains certain affirmative and negative covenants which, among other things and subject, in certain cases, to certain basket amounts and other exceptions, limit the existence of additional indebtedness, the existence of liens or pledges, certain investments, acquisitions and sales or other transfers of assets, the payment of dividends and distributions and repurchases of equity, prepayments of certain junior indebtedness, and certain other transactions. Our ability to comply with these covenants may be affected by events beyond our control, including

prevailing economic, financial and industry conditions. These covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities.

Additionally, the Credit Facility requires, solely for the benefit of the lenders under the Revolving Credit Facility, that we meet financial tests, including, without limitation:

• minimum consolidated EBITDA to consolidated cash interest charges ratio; and

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maximum consolidated funded debt (net of up to an agreed amount of cash and cash equivalents) to consolidated EBITDA ratio.

An event of default under any of our debt agreements could permit some of our lenders, including the lenders under the Credit Facility, to declare all amounts borrowed from them to be immediately due and payable, together with accrued and unpaid interest, or, in the case of the Credit Facility, terminate the commitment to make further credit extensions thereunder, which could, in turn, trigger cross-defaults under other debt obligations. If we were unable to repay debt to our lenders, or were otherwise in default under any provision governing our outstanding debt obligations, our secured lenders could proceed against us and against the collateral securing that debt.

Our ability to make acquisitions may be adversely impacted by our outstanding indebtedness.

Our ability to make future business acquisitions, particularly those that would be financed solely or in part through cash from operations, may be curtailed due to our obligations to make payments of principal and interest on our outstanding indebtedness. We may not have sufficient capital resources, now or in the future, and may be unable to raise sufficient additional capital resources on terms satisfactory to us, if at all, in order to meet our capital requirements for such acquisitions. In addition, the terms of our indebtedness include covenants that directly restrict, or have the effect of restricting, our ability to make certain acquisitions while this indebtedness remains outstanding. If we are unable to pursue acquisitions that would enhance our business or operations, the potential growth of our business and revenues may be adversely affected.

Risks Related to Our Common Stock

Our Class B common stock is entitled to ten votes per share and is held exclusively by John W. Casella and Douglas R. Casella.

The holders of our Class B common stock are entitled to ten votes per share and the holders of our Class A common stock are entitled to one vote per share. As of December 31, 2017, an aggregate of 988,200 shares of our Class B common stock, representing 9,882,000 votes, were outstanding, all of which were beneficially owned by John W. Casella, our Chairman and Chief Executive Officer, and his brother, Douglas R. Casella, a member of our Board of Directors. Based on the number of shares of common stock outstanding on January 31, 2018, the shares of our Class A common stock and Class B common stock beneficially owned by John W. Casella and Douglas R. Casella represent approximately 21.5% of the aggregate voting power of our stockholders. Consequently, John W. Casella and Douglas R. Casella may be able to substantially influence certain matters submitted to stockholders for approval, including proposed amendments to our certificate of incorporation and bylaws requiring an affirmative vote of shares representing at least 75% of the votes that all holders of our Class A common stock and our Class B common stock would be entitled to cast.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters is located at 25 Greens Hill Lane, Rutland, Vermont 05701, where we currently lease approximately 12,000 square feet of office space.

Our principal property and equipment consists of land, landfills, buildings, machinery and equipment, rolling stock and containers. At January 31, 2018, we operated nine subtitle D landfills, four of which we own and five of which we lease; one landfill permitted to accept C&D materials that we own; 47 transfer stations, 26 of which we own, seven of which we lease and 14 of which we operate under a contract; 32 solid waste collection facilities, 19 of which we own, 12 of which we lease and one of which we operate under a contract; 18 recycling processing facilities, nine of which we own, five of which we lease and four of which we operate under a contract; four landfill gas-to-energy facilities that we own; and 20 corporate office and other administrative facilities, three of which we own and 17 of which we lease (See Item 1, "Business" of this Annual Report on Form 10-K for property information by operating segment and location). We believe that our property and equipment are adequately maintained and sufficient for our current operations.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business and as a result of the extensive governmental regulation of the solid waste industry, we are subject to various judicial and administrative proceedings involving state and local agencies. In these proceedings, an agency may seek to impose fines or to revoke or deny renewal of an operating permit held by us. From time to time, we may also be subject to actions brought by special interest or other groups, adjacent landowners or residents in connection with the permitting and licensing of landfills and transfer stations, or alleging environmental damage or violations of the permits and licenses pursuant to which we operate. In addition, we have been named defendants in various claims and suits pending for alleged damages to persons and property, alleged violations of certain laws and alleged liabilities arising out of matters occurring during the ordinary operation of a waste management business.

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In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 450, we accrue for legal proceedings, inclusive of legal costs, when losses become probable and reasonably estimable. As of the end of each applicable reporting period, we review each of our legal proceedings to determine whether it is probable, reasonably possible or remote that a liability has been incurred and, if it is at least reasonably possible, whether a range of loss can be reasonably estimated under the provisions of FASB ASC 450. In instances where we determine that a loss is probable and we can reasonably estimate a range of loss we may incur with respect to such a matter, we record an accrual for the amount within the range that constitutes our best estimate of the possible loss. If we are able to reasonably estimate a range, but no amount within the range appears to be a better estimate than any other, we record an accrual in the amount that is the low end of such range. When a loss is reasonably possible, but not probable, we will not record an accrual, but we will disclose our estimate of the possible range of loss where such estimate can be made in accordance with FASB ASC 450.

Environmental Remediation Liability

We are subject to liability for environmental damage, including personal injury and property damage, that our solid waste, recycling and power generation facilities may cause to neighboring property owners, particularly as a result of the contamination of drinking water sources or soil, possibly including damage resulting from conditions that existed before we acquired the facilities. We may also be subject to liability for similar claims arising from off-site environmental contamination caused by pollutants or hazardous substances if we or our predecessors arrange or arranged to transport, treat or dispose of those materials. The following matters represent our material outstanding claims.

Southbridge Recycling & Disposal Park, Inc.

In October 2015, our Southbridge Recycling and Disposal Park, Inc. ("SRD") subsidiary reported to the Massachusetts Department of Environmental Protection ("MADEP") results of analysis of samples collected pursuant to our existing permit from private drinking water wells located near the Town of Southbridge, Massachusetts ("Town") Landfill ("Southbridge Landfill"), which is operated by SRD. Those results indicated the presence of contaminants above the levels triggering notice and response obligations under MADEP regulations. In response to those results, we are carrying out an Immediate Response Action pursuant to Massachusetts General Law Chapter 21E (the "Charlton 21E Obligations") pursuant to state law. Further, we have implemented a plan to analyze and better understand the groundwater near the Southbridge Landfill and we are investigating with the objective of identifying the source or sources of the elevated levels of contamination measured in the well samples. If it is determined that some or all of the contamination originated at the Southbridge Landfill, we will work with the Town (the Southbridge Landfill owner and the former operator of an unlined portion of the Southbridge Landfill, which was used prior to our operation of a double-lined portion of the Southbridge Landfill commencing in 2004) to evaluate and allocate the liabilities related to the Charlton 21E Obligations. In July 2016, we sent correspondence to the Town pursuant to Chapter 21E of Massachusetts General Laws demanding that the Town reimburse us for the environmental response costs we had spent and that the Town be responsible for all such costs in the future, as well as any other costs or liabilities resulting from the release of contaminants from the unlined portion of the Southbridge Landfill. The Town responded in September 2016, denying that the Southbridge Landfill is the source of such contamination, and claiming that if it is, that we may owe an indemnity to the Town pursuant to the Operating Agreement between us and the Town dated May 29, 2007, as amended. We entered into a Tolling Agreement with the Town to delay any further administrative or legal actions until our work with MADEP more specifically defines the parties' responsibilities for the Charlton 21E Obligations, if any. Please see below for further discussion of our relationship with the Town regarding the Charlton 21E Obligations.

In February 2016, we and the Town received a Notice of Intent to Sue under the Resource Conservation and Recovery Act ("RCRA") from a law firm purporting to represent residents proximate to the Southbridge Landfill ("Residents"), indicating its intent to file suit against us on behalf of the Residents alleging the groundwater contamination originated from the Southbridge Landfill. In February 2017, we received an additional Notice of Intent to Sue from the National Environmental Law Center under the Federal Clean Water Act ("CWA") and RCRA (collectively the "Acts") on behalf of Environment America, Inc., d/b/a Environment Massachusetts, and Toxics Action Center, Inc., which have referred

to themselves as the Citizen Groups. The Citizen Groups alleged that we had violated the Acts, and that they intended to seek appropriate relief in federal court for those alleged violations. On or about June 9, 2017, a lawsuit was filed against us, SRD and the Town in the United States District Court for the District of Massachusetts by the Citizen Groups and the Residents alleging violations of the Acts (the "Litigation"), and demanding a variety of remedies under the Acts, including fines, remediation, mitigation and costs of litigation, and remedies for violations of Massachusetts civil law related to personal and property damages, including remediation, diminution of property values, compensation for lost use and enjoyment of properties, injunction of further operation of the Southbridge Landfill, and costs of litigation, plus interest on any damage award, on behalf of the Residents. We believe the Litigation to be factually inaccurate, and without legal merit, and we and SRD intend to vigorously defend the Litigation. Nevertheless, we believe it is reasonably possible that a loss will occur as a result of the Litigation although an

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estimate of loss cannot be reasonably provided at this time due to the infancy of this matter. We also continue to believe the Town should be responsible for costs or liabilities associated with the Litigation relative to alleged contamination originating from the unlined portion of the Southbridge Landfill, although there can be no assurance that we will not be required to incur some or all of such costs and liabilities.

We entered into an Administrative Consent Order on April 26, 2017 (the "ACO"), with MADEP, the Town, and the Town of Charlton ("Charlton"), committing us to equally share the costs with MADEP, of up to \$10.0 million (\$5.0 million each) for the Town to install a municipal waterline in the Town of Charlton ("Waterline"). Upon satisfactory completion of that Waterline, and other matters covered by the ACO, we and the Town will be released by MADEP from any future responsibilities for the Charlton 21E Obligations. We also entered into an agreement with the Town on April 28, 2017 entitled the "21E Settlement and Water System Construction Funding Agreement" (the "Waterline Agreement"), wherein we and the Town released each other from claims arising from the Charlton 21E Obligations. Pursuant to the Waterline Agreement, the Town will issue a twenty (20) year bond for our portion of the Waterline costs (up to \$5.0 million). We have agreed to reimburse the Town for periodic payments under such bond.

We have recorded an environmental remediation liability associated with the future installation of the Waterline in other accrued liabilities and other long-term liabilities. We inflate the estimated costs in current dollars to the expected time of payment and discount the total cost to present value using a risk-free interest rate of 2.6%. Our expenditures could be significantly higher if costs exceed estimates. The changes to the environmental remediation liability associated with the Southbridge Landfill are as follows (in millions):

	Fiscal Year Ended December 31,	
	2017	2016
Beginning balance	\$ —	\$ —
Accretion expense	0.1	—
Obligations incurred	6.3	—
Obligations settled (1) (0.5)	—	—
Ending balance	\$ 5.9	\$ —

(1) Includes amounts that are being processed through accounts payable as a part of our disbursements cycle.

Charlton has also demanded that we relocate retention ponds incident to the operation of the Southbridge Landfill, and that we pay damages to Charlton for the use of such retention ponds during the operation of the Southbridge Landfill. We disagree with Charlton as to the legality of the location of those retention ponds in Charlton, and are vigorously contesting claims made by Charlton. We cannot currently estimate the potential for loss associated with Charlton's claim against us, and it is possible that we could incur a material loss in the resolution of such claim.

In August 2016, we filed a complaint against Steadfast Insurance Company ("Steadfast") in the Superior Court of Suffolk County, Massachusetts (the "Court"), alleging among other things, that Steadfast breached its Pollution Liability Policy ("Policy") purchased by us in April 2015, by refusing to acknowledge coverage under the Policy, and refusing to cover any of the costs and liabilities incurred by us as described above as well as costs and liabilities that we may incur in the future. Steadfast filed an answer and counterclaim in September 2016, denying that it has any obligations to us under the Policy, and seeking a declaratory judgment of Steadfast's obligations under the Policy. We are in the discovery phase of this litigation. Steadfast has filed a Motion to Dismiss (the "Motion") our litigation against it, and we filed our response on July 11, 2017. On September 7, 2017, the Court denied the Motion.

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On June 13, 2017, Town voters rejected a non-binding ballot initiative intended to provide guidance to Town officials with respect to our pursuit of other landfill development opportunities at the Southbridge Landfill. Following such rejection by the Town voters, our board of directors and senior management determined after due consideration of all facts and circumstances that it is no longer likely that further development at the existing landfill site will generate an adequate risk adjusted return at the Southbridge Landfill, and accordingly we expect to cease operations at the Southbridge Landfill when no further capacity is available, expected by no later than December 31, 2018. We delivered correspondence to the Town to this effect on August 3, 2017, citing events of Change in Law and Force Majeure pursuant to our May 29, 2007 Extension Agreement with the Town ("Extension Agreement") and the impacts of such events on further expansion of the Southbridge Landfill. We have advised the Town that we see no economically feasible way to operate the Southbridge Landfill beyond its current permitted life and we have filed a closure plan with MADEP. Following cessation of operations, we will proceed to conduct proper closure and other activities at the Southbridge Landfill in accordance with the Extension Agreement with the Town, and Federal, state and local law. We reached this conclusion after carefully evaluating the estimated future costs associated with the permitting, engineering and construction activities for the planned expansion of the Southbridge Landfill against the possible outcomes of the permitting process and the anticipated future benefits of successful expansions. Under the Extension Agreement, which we account for as an operating lease, there are potential contractual obligations and commitments, including future cash payments of \$3.1 million and services that extend beyond the current useful life of the Southbridge Landfill. In accordance with FASB ASC 420 - Exit or Disposal Cost Obligations, a liability for costs to be incurred under a contract for its remaining term without economic benefit shall be recognized when we cease using the right conveyed by the contract. We may incur a loss associated with these potential contractual obligations upon cessation of operations at the Southbridge Landfill when remaining capacity is exhausted by the placement of waste at the site.

See Note 15, Other Items and Charges for disclosure over the Southbridge Landfill closure charge.

The costs and liabilities we may be required to incur in connection with the foregoing Southbridge Landfill matters could be material to our results of operations, our cash flows and our financial condition.

Potsdam Environmental Remediation Liability

On December 20, 2000, the State of New York Department of Environmental Conservation ("DEC") issued an Order on Consent ("Order") which named Waste-Stream, Inc. ("WSI"), our subsidiary, General Motors Corporation ("GM") and Niagara Mohawk Power Corporation ("NiMo") as Respondents. The Order required that the Respondents undertake certain work on a 25-acre scrap yard and solid waste transfer station owned by WSI in Potsdam, New York, including the preparation of a Remedial Investigation and Feasibility Study ("Study"). A draft of the Study was submitted to the DEC in January 2009 (followed by a final report in May 2009). The Study estimated that the undiscounted costs associated with implementing the preferred remedies would be approximately \$10.2 million. On February 28, 2011, the DEC issued a Proposed Remedial Action Plan for the site and accepted public comments on the proposed remedy through March 29, 2011. We submitted comments to the DEC on this matter. In April 2011, the DEC issued the final Record of Decision ("ROD") for the site. The ROD was subsequently rescinded by the DEC for failure to respond to all submitted comments. The preliminary ROD, however, estimated that the present cost associated with implementing the preferred remedies would be approximately \$12.1 million. The DEC issued the final ROD in June 2011 with proposed remedies consistent with its earlier ROD. An Order on Consent and Administrative Settlement naming WSI and NiMo as Respondents was executed by the Respondents and DEC with an effective date of October 25, 2013. On January 29, 2016, a Cost-Sharing Agreement was executed between WSI, NiMo, Alcoa Inc. ("Alcoa") and Reynolds Metal Company ("Reynolds") whereby Alcoa and Reynolds elected to voluntarily participate in the onsite remediation activities at a combined 15% participant share. It is unlikely that any significant expenditures relating to onsite remediation will be incurred until the fiscal year ending December 31, 2019. WSI is jointly and severally liable with NiMo, Alcoa and Reynolds for the total cost to remediate.

We have recorded an environmental remediation liability associated with the Potsdam site based on incurred costs to date and estimated costs to complete the remediation in other accrued liabilities and other long-term liabilities. Our expenditures could be significantly higher if costs exceed estimates. We inflate the estimated costs in current dollars

to the expected time of payment and discount the total cost to present value using a risk-free interest rate of 1.5%.

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A summary of the changes to the environmental remediation liability associated with the Potsdam environmental remediation liability follows (in millions):

	Fiscal Year	
	Ended	
	December	
	31,	
	2017	2016
Beginning balance	\$5.9	\$5.2
Payments	(0.1)	(0.2)
Obligations incurred	—	0.9
Ending balance	\$5.8	\$5.9

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A common stock trades on the NASDAQ Global Select Market ("NASDAQ Stock Market") under the symbol CWST. There is no established trading market for our Class B common stock. The following table sets forth the high and low sale prices of our Class A common stock for the periods indicated as quoted on the NASDAQ Stock Market.

Period	High	Low
Fiscal Year Ended December 31, 2016		
First quarter	\$6.98	\$4.97
Second quarter	\$7.90	\$6.31
Third quarter	\$10.39	\$7.76
Fourth quarter	\$13.41	\$10.28
Fiscal Year Ended December 31, 2017		
First quarter	\$14.23	\$11.15
Second quarter	\$16.95	\$13.32
Third quarter	\$19.13	\$15.20
Fourth quarter	\$23.20	\$16.64

On January 31, 2018, the high and low sale prices per share of our Class A common stock as quoted on the NASDAQ Stock Market were \$25.91 and \$25.44, respectively. As of January 31, 2018 there were approximately 500 holders of record of our Class A common stock and two holders of record of our Class B common stock.

For purposes of calculating the aggregate market value of the shares of common stock held by non-affiliates, as shown on the cover page of this Annual Report on Form 10-K, we have assumed that all the outstanding shares of Class A common stock were held by non-affiliates except for the shares beneficially held by directors and executive officers and funds represented by them.

Dividends

No dividends have ever been declared or paid on our common stock and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. Our credit facility, which consists of our new \$350.0 million term loan B facility ("Term Loan B Facility") and a \$160.0 million revolving line of credit facility ("Revolving Credit Facility" and, together with the Term Loan B Facility, the "Credit Facility"), and indentures restrict or condition the payment of dividends on common stock.

The information required by Item 201(d) of Regulation S-K is included in Part III of this Annual Report on Form 10-K.

Stock Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The stock performance graph below compares the percentage change in cumulative stockholder return on our Class A common stock for the period from April 30, 2012 through December 31, 2017, with the cumulative total return on the Russell 2000 Index and our Industry Peer Group ("Peer Group"). The stock performance graph assumes the investment on April 30, 2012 of \$100.00 in our Class A common stock at the closing price on such date, in the Russell 2000 Index and the Peer Group, and that dividends are reinvested. No dividends have been declared or paid on our Class A common stock.

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	April 30, 2012	April 30, 2013	April 30, 2014	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Casella Waste Systems, Inc.	\$ 100.00	\$ 72.31	\$ 84.58	\$ 67.00	\$ 99.17	\$ 205.80	\$ 381.76
Russell 2000	\$ 100.00	\$ 117.69	\$ 141.82	\$ 153.05	\$ 146.29	\$ 177.47	\$ 203.46
Peer Group (1)	\$ 100.00	\$ 124.87	\$ 136.14	\$ 161.63	\$ 168.98	\$ 228.63	\$ 287.29

(1) The Peer Group is comprised of Waste Connections Inc., Covanta Holding Corp., Waste Management, Inc. and Republic Services, Inc.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial and operating data set forth below was derived from the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K and from the consolidated financial statements included in Item 8 of previous Annual Reports on Form 10-K and a Transition Report on Form 10-KT that we filed with the SEC. This information should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included in Item 8 of this Annual Report on Form 10-K.

	Fiscal Year Ended December 31,			Eight Months Ended December 31, 2014	Fiscal Year Ended April 30,	
	2017	2016	2015		2014	2013
	(in thousands, except per share data)					
Statement of Operations Data:						
Revenues	\$599,309	\$565,030	\$546,500	\$368,374	\$497,633	\$455,335
Cost of operations	405,188	381,973	382,615	258,650	354,592	323,014
General and administration	79,243	75,356	72,892	45,732	61,865	58,205
Depreciation and amortization	62,102	61,856	62,704	41,485	60,339	56,576
Southbridge Landfill closure charge	65,183	—	—	—	—	—
Expense from divestiture, acquisition and financing costs	176	—	—	—	144	1,410
Environmental remediation charge	—	900	—	950	400	—
Contract settlement charge	—	—	1,940	—	—	—
Divestiture transactions	—	—	(5,517)	(553)	7,455	—
Development project charge	—	—	—	—	1,394	—
Severance and reorganization costs	—	—	—	—	586	3,709
Gain on settlement of acquisition related contingent consideration	—	—	—	—	(1,058)	—
Operating (loss) income	(12,583)	44,945	31,866	22,110	11,916	12,421
Interest expense, net	24,887	38,652	40,090	25,392	37,863	41,429
Other (income) expense, net	(418)	12,657	2,206	1,825	(436)	23,501
Loss from continuing operations before income taxes and discontinued operations	(37,052)	(6,364)	(10,430)	(5,107)	(25,511)	(52,509)
(Benefit) provision for income taxes	(15,253)	494	1,351	703	1,799	(2,526)
Loss from continuing operations before discontinued operations	(21,799)	(6,858)	(11,781)	(5,810)	(27,310)	(49,983)
Income (loss) from discontinued operations	—	—	—	—	284	(4,480)
Loss on disposal of discontinued operations	—	—	—	—	(378)	—
Net loss	(21,799)	(6,858)	(11,781)	(5,810)	(27,404)	(54,463)
Less: Net (loss) income attributable to noncontrolling interests	—	(9)	1,188	208	(4,309)	(321)
Net loss attributable to common stockholders	\$(21,799)	\$(6,849)	\$(12,969)	\$(6,018)	\$(23,095)	\$(54,142)
Basic and diluted earnings per share:						
Weighted average common shares outstanding	41,846	41,233	40,642	40,262	39,820	34,015
Net loss per common share (1)	\$(0.52)	\$(0.17)	\$(0.32)	\$(0.15)	\$(0.58)	\$(1.59)

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	Fiscal Year Ended December 31,			Eight Months Ended December 31, 2014	Fiscal Year Ended April 30,	
	2017	2016	2015		2014	2013
(in thousands, except per share data)						
Other Data:						
Capital expenditures	\$64,862	\$54,238	\$49,995	\$55,061	\$45,959	\$55,027
Cash flows provided by operating activities	\$107,538	\$80,434	\$70,507	\$38,286	\$49,642	\$43,906
Cash flows used in investing activities	\$(76,447)	\$(62,964)	\$(48,784)	\$(59,697)	\$(57,910)	\$(89,455)
Cash flows (used in) provided by financing activities	\$(31,640)	\$(17,238)	\$(21,616)	\$19,322	\$9,008	\$44,947
Balance Sheet Data:						
Cash and cash equivalents	\$1,995	\$2,544	\$2,312	\$2,205	\$2,464	\$1,755
Working capital, net (2)	\$(6,184)	\$(6,382)	\$(10,990)	\$(9,968)	\$(21,405)	\$(25,308)
Property, plant and equipment, net	\$361,547	\$398,466	\$402,252	\$414,542	\$403,424	\$422,502
Goodwill	\$122,605	\$119,899	\$118,976	\$119,170	\$119,139	\$115,928
Total assets	\$614,949	\$631,512	\$633,669	\$658,198	\$638,285	\$649,154
Long-term debt and capital leases, less current maturities	\$477,576	\$503,961	\$505,985	\$522,458	\$495,522	\$481,022
Total stockholders' (deficit) equity	\$(37,862)	\$(24,550)	\$(21,597)	\$(12,020)	\$(8,537)	\$15,451

(1) Computed as described in Note 3, Summary of Significant Accounting Policies to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

(2) Working capital, net is defined as current assets, excluding cash and cash equivalents, minus current liabilities.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes thereto, and other financial information, included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties. Our actual results may differ materially from those contained in any forward-looking statements.

Company Overview

Founded in 1975 with a single truck, Casella Waste Systems, Inc., a Delaware corporation, its wholly-owned subsidiaries and certain partially owned entities over which it has a controlling financial interest (collectively, "we", "us" or "our"), is a regional, vertically-integrated solid waste services company. We provide resource management expertise and services to residential, commercial, municipal and industrial customers, primarily in the areas of solid waste collection and disposal, transfer, recycling and organics services. We provide integrated solid waste services in six states: Vermont, New Hampshire, New York, Massachusetts, Maine and Pennsylvania, with our headquarters located in Rutland, Vermont. We manage our solid waste operations on a geographic basis through two regional operating segments, our Eastern and Western regions, each of which provides a full range of solid waste services, and our larger-scale recycling and commodity brokerage operations through our Recycling segment. Organics services, ancillary operations, major account and industrial services, discontinued operations, and earnings from equity method investees, as applicable, are included in our Other segment.

As of January 31, 2018, we owned and/or operated 32 solid waste collection operations, 47 transfer stations, 18 recycling facilities, nine Subtitle D landfills, four landfill gas-to-energy facilities and one landfill permitted to accept C&D materials.

Acquisitions and Divestitures

Acquisitions

We have a business development team that identifies acquisition candidates, categorizes the opportunity by strategic fit and perceived level of financial accretion, establishes contact with the appropriate representative of the acquisition candidate and gathers further information on the acquisition candidate.

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We have made in the past, and we may make in the future, acquisitions in order to acquire or develop additional disposal capacity. These acquisitions may include “tuck-in” acquisitions within our existing markets, assets that are adjacent to or outside of our existing markets, or larger, more strategic acquisitions. In addition, from time to time, we may acquire businesses that are complementary to our core business strategy. We face considerable competition for acquisition targets, particularly the larger and more meaningful targets, due to among other things, our limited access to and weighted average cost of capital, but we believe that our strong relationships and reputation in New England and the upstate New York area help to offset these factors.

In January 2018, we acquired Complete Disposal Company, Inc. and its subsidiary United Material Management of Holyoke, Inc. (collectively, "Complete") in our Eastern region, which is expected to generate approximately \$17.0 million of revenues, for \$16.5 million of total consideration, subject to a purchase price adjustment. Complete provides residential and roll-off collection services, operates a construction and demolition processing facility, and operates a solid waste transfer station with both truck and rail transfer capabilities.

In fiscal year 2017, we acquired one solid waste collection business in our Eastern region and three solid waste collection businesses in our Western region for total consideration of \$8.1 million, including \$4.8 million in cash, \$2.4 million in notes payable, \$0.8 million in holdbacks to the sellers and \$0.1 million of other consideration.

During fiscal year 2016, we acquired three transfer stations in our Western region for total consideration of \$2.8 million, including \$2.4 million in cash and \$0.4 million in holdbacks to the sellers.

Divestitures

From time to time, we may sell or divest certain investments or other components of our business. These divestitures may be undertaken for a number of reasons, including: to generate proceeds to pay down debt; as a result of a determination that the specified asset will provide inadequate returns to us or that the asset no longer serves a strategic purpose in connection with our business; or as a result of a determination that the asset may be more valuable to a third-party. We will continue to look to divest certain activities and investments that no longer enhance or complement our core business if the right opportunity presents itself.

Sale of Business. In fiscal year 2015, we divested a business, which included the sale of certain assets associated with various waste collection routes in our Western region, for total consideration of \$0.9 million, resulting in a gain of \$0.6 million.

Maine Energy. In the fiscal year ended April 30, 2013, we executed a purchase and sale agreement with the City of Biddeford, Maine, pursuant to which we agreed to sell the real property of Maine Energy Recovery Company, LP (“Maine Energy”) to the City of Biddeford. We agreed to sell Maine Energy for an undiscounted purchase consideration of \$6.7 million, which is being paid to us in installments over twenty-one years. Later in the fiscal year ended April 30, 2013, we closed the transaction, ceased operations of the Maine Energy facility, and initiated the decommissioning, demolition and site remediation process in accordance with the provisions of the agreement. In fiscal year 2015, we completed the demolition process and site remediation under the auspices and in accordance with work plans approved by the Maine Department of Environmental Protection and the United States Environmental Protection Agency (“EPA”). Based on the total incurred costs to fulfill our obligation under the agreement, we reversed a reserve of \$1.1 million of excess costs to complete the divestiture in fiscal year 2015.

CARES and Related Transaction. In fiscal year 2014, we determined that assets of the Casella-Altela Regional Environmental Services, LLC (“CARES”) water treatment facility were no longer operational or were not operating within product performance parameters. As a result, we initiated a plan to abandon and shut down the operations of CARES. It was determined that the carrying value of the assets of CARES was no longer recoverable and, as a result, the carrying value of the asset group was assessed for impairment and impaired. We recorded an impairment charge of \$7.5 million in fiscal year 2014 to the asset group of CARES in our Western region.

We executed a purchase and sale agreement in fiscal year 2015 pursuant to which we and Altela agreed to sell certain assets of the CARES water treatment facility to a third-party. We sold these assets of CARES for purchase consideration of \$3.5 million, resulting in a gain of \$2.9 million in fiscal year 2015, 49% of which was attributable to Altela, Inc., the noncontrolling interest holder. In connection with this transaction, we also sold certain of our equipment and real estate to the same unrelated third-party for total consideration of \$1.1 million, resulting in a gain

of \$0.9 million in fiscal year 2015.

In fiscal year 2016, we dissolved CARES in accordance with the CARES Limited Liability Company Agreement, and in fiscal year 2017, we dissolved CARES McKean, LLC in accordance with Pennsylvania dissolution proceedings. Upon dissolution we deconsolidated the assets, liabilities and equity components, including the noncontrolling interest.

Results of Operations

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Revenues

We manage our solid waste operations, which include a full range of solid waste services, on a geographic basis through two regional operating segments, which we designate as our Eastern and Western regions. Revenues in our Eastern and Western regions consist primarily of fees charged to customers for solid waste collection and disposal, landfill, landfill gas-to-energy, transfer and recycling services. We derive a substantial portion of our collection revenues from commercial, industrial and municipal services that are generally performed under service agreements or pursuant to contracts with municipalities. The majority of our residential collection services are performed on a subscription basis with individual households. Landfill and transfer customers are charged a tipping fee on a per ton basis for disposing of their solid waste at our disposal facilities and transfer stations. We also generate and sell electricity at certain of our landfill facilities. Revenues from our Recycling segment consist of revenues derived from municipalities and customers in the form of processing fees, tipping fees and commodity sales. Revenues from organics services, ancillary operations, and major account and industrial services are included in our Other segment. Our revenues are shown net of inter-company eliminations.

The table below shows revenue attributable to services provided (in millions) for the following periods:

	Fiscal Year			Fiscal Year		
	Ended		\$	Ended		\$
	December 31,		Change	December 31,		Change
	2017	2016		2016	2015	
Collection	\$263.7	\$249.6	\$ 14.1	\$249.6	\$238.3	\$ 11.3
Disposal	160.1	154.2	5.9	154.2	156.5	(2.3)
Power	5.4	5.9	(0.5)	5.9	6.8	(0.9)
Processing	7.9	6.4	1.5	6.4	6.1	0.3
Solid waste	437.1	416.1	21.0	416.1	407.7	8.4
Organics	39.8	41.5	(1.7)	41.5	39.1	2.4
Customer solutions	60.1	54.5	5.6	54.5	53.4	1.1
Recycling	62.3	52.9	9.4	52.9	46.3	6.6
Total revenues	\$599.3	\$565.0	\$ 34.3	\$565.0	\$546.5	\$ 18.5

Solid waste revenues

A summary of the period-to-period changes in solid waste revenues (dollars in millions) follows:

	Period-to-Period Change for Fiscal Year 2017 vs Fiscal Year 2016			Period-to-Period Change for Fiscal Year 2016 vs Fiscal Year 2015		
	Amount	% of Growth		Amount	% of Growth	
Price	\$ 12.0	2.1 %		\$ 13.9	2.5 %	
Volume	4.3	0.8 %		(6.0)	(1.1)%	
Fuel surcharge and other fees	0.5	0.1 %		(0.1)	— %	
Commodity price and volume	0.8	0.1 %		(0.6)	(0.1)%	
Acquisitions and divestitures	3.4	0.6 %		1.2	0.2 %	
Solid waste revenues	\$ 21.0	3.7 %		\$ 8.4	1.5 %	

Price.

The price change component in fiscal year 2017 solid waste revenues growth from the prior year is a result of the following:

\$7.7 million from favorable collection pricing; and

\$4.3 million from favorable disposal pricing associated with our landfills and transfer stations.

The price change component in fiscal year 2016 solid waste revenues growth from the prior year is a result of the following:

\$10.9 million from favorable collection pricing, including a floating sustainability recycling adjustment fee ("SRA fee") to mitigate recycling commodity risk; and

\$3.0 million from favorable disposal pricing associated with our landfills and transfer stations.

Volume.

The volume change component in fiscal year 2017 solid waste revenues growth from the prior year is a result of the following:

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\$2.7 million from higher collection volumes in our Eastern region;

\$1.3 million from higher disposal volumes (of which \$0.5 million relates to higher landfill volumes, \$0.3 million relates to higher transportation volumes, and \$0.5 million relates to higher transfer station volumes); and

\$0.3 million from higher processing volumes.

The volume change component in fiscal year 2016 solid waste revenues growth from the prior year is a result of the following:

\$(7.1) million from lower disposal volumes (of which \$(5.1) million relates to lower transportation volumes

associated with lower drill cutting volumes in our Western region, \$(2.8) million relates to lower landfill volumes, and \$0.8 million relates to higher transfer station volumes); and

\$(0.1) million from lower processing volumes in our Western region; partially offset by

\$1.2 million from higher collection volumes in our Eastern region.

Fuel surcharge and other fees

The fuel surcharge and other fees change component in fiscal year 2017 solid waste revenues growth from the prior year is a result of \$0.5 million from higher collection revenues associated with volume growth.

Commodity price and volume.

The commodity price and volume change component in fiscal year 2017 solid waste revenues growth from the prior year is a result of the following:

\$1.3 million from favorable commodity pricing and higher volumes in processing; partially offset by

\$(0.5) million from lower landfill gas-to-energy volumes.

The commodity price and volume change component in fiscal year 2016 solid waste revenues growth from the prior year is a result of the following:

\$(0.8) million from unfavorable energy pricing from our landfill gas-to-energy operations; partially offset by

\$0.2 million from favorable commodity pricing.

Acquisitions and divestitures.

The acquisitions and divestitures change component in fiscal year 2017 solid waste revenues growth is a result of the acquisition of four solid waste collection businesses in fiscal year 2017.

The acquisitions and divestitures change component in fiscal year 2016 solid waste revenues growth is a result of the acquisition of three transfer stations in the quarter ended June 30, 2016, partially offset by the divestiture of a business in fiscal year 2015.

Organics revenues

Fiscal year 2017 organics revenues decreased \$(1.7) million from the prior year as a result of lower volumes.

Fiscal year 2016 organics revenues increased \$2.4 million from the prior year as a result of higher volumes.

Customer Solutions revenues

Fiscal year 2017 revenues increased \$5.6 million from the prior year as a result of higher volumes.

Fiscal year 2016 revenues increased \$1.1 million from the prior year as a result of higher volumes.

Recycling revenues

Fiscal year 2017 recycling revenues increased from the prior year as a result of the following:

\$10.4 million from favorable commodity pricing in the marketplace; and

\$0.2 million from higher commodity volumes; partially offset by

\$(1.2) million from lower tipping fees, as we reduced variable tipping fees at our facilities as commodity prices increased.

Fiscal year 2016 recycling revenues increased from the prior year as a result of the following:

\$5.5 million from favorable commodity pricing in the marketplace;

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\$1.2 million from higher commodity volumes; partially offset by
 • \$(0.1) million from lower tipping fees.

Results of Operations

Operating Expenses

A summary of our cost of operations, general and administration expenses and depreciation and amortization expenses is as follows (dollars in millions and as a percentage of total revenues):

	Fiscal Years Ended					
	December 31,		2016		2015	
	2017		2016		2015	
Cost of operations	\$405.2	67.6%	\$382.0	67.6%	\$382.6	70.0%
General and administration	\$79.2	13.2%	\$75.4	13.3%	\$72.9	13.3%
Depreciation and amortization	\$62.1	10.4%	\$61.9	10.9%	\$62.7	11.5%

Cost of Operations

Cost of operations includes labor costs, tipping fees paid to third-party disposal facilities, fuel costs, maintenance and repair costs of vehicles and equipment, workers' compensation and vehicle insurance costs, the cost of purchasing materials to be recycled, third-party transportation costs, district and state taxes, host community fees and royalties. Cost of operations also includes accretion expense related to final capping, closure and post-closure obligations, leachate treatment and disposal costs and depletion of landfill operating lease obligations.

Fiscal Year 2017 Compared to Fiscal Year 2016

An explanation of the period-to-period change in cost of operations is as follows:

Third-party direct costs in fiscal year 2017 increased \$9.1 million from the prior year as a result of the following:

- higher purchased material costs in our Recycling and Customer Solutions lines-of-business;
- higher disposal costs associated with higher transfer station volumes in the Western region, and additional costs from the use of alternative disposal sites in our Organics line-of-business; and
- higher hauling and transportation costs associated with higher collection volumes in the Eastern region and increased volumes on lower margin commercial work in our Customer Solutions line-of-business; partially offset by decreased transportation services provided in the Western region; and lower commodity volumes in our Organics line-of-business.

Labor and related benefit costs in fiscal year 2017 increased \$5.4 million from the prior year as a result of the following:

- higher healthcare costs of \$1.7 million associated with direct operational labor;
- higher labor costs associated with higher collection volumes in the Eastern region, higher landfill and transfer station volumes in the Western region, as well as customer growth related to several new municipal contracts; and
- higher labor costs associated with higher product quality standards from commodity buyers resulting in lower throughput and additional manpower needs in our Recycling line-of-business, and to a lesser extent higher volumes.

Direct operational costs in fiscal year 2017 increased \$5.5 million from the prior year as a result of the following:

- higher leachate disposal costs and landfill operating costs at certain landfills in the Western region due to increased rainfall through early summer and the timing of various landfill construction projects;
- higher host community fees associated with increased volumes at certain landfills in the Western region;
- higher accretion expense associated with the acceleration of asset retirement obligations due to the closure of our Subtitle D landfill located in Southbridge, Massachusetts ("Southbridge Landfill"); and
- higher equipment rental costs in the Eastern region; partially offset by
- lower landfill operating costs associated with certain landfills in the Eastern region.

Maintenance and repair costs in fiscal year 2017 increased \$2.3 million from the prior year as a result of the following:

- higher fleet maintenance costs in the Western region; and

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• higher facility maintenance costs in the Recycling region.

Fuel costs in fiscal year 2017 increased \$0.9 million from the prior year as a result of higher consumption and increased diesel fuel prices.

Fiscal Year 2016 Compared to Fiscal Year 2015

An explanation of the period-to-period change in cost of operations is as follows:

Direct operational costs in fiscal year 2016 increased \$2.3 million from the prior year as a result of the following:

• higher equipment rental costs;

• higher depletion of landfill operating lease obligations in our Western region primarily due to changes in estimates and assumptions concerning the anticipated waste flow at certain of our landfills;

• higher gas control and other landfill operating costs in our Eastern region; and

• higher host royalty fees in our Western region; partially offset by

• lower leachate disposal costs at certain landfills in our Western region; and

• lower depletion of landfill operating lease obligations on a lower per ton rate and lower volumes at our Southbridge Landfill in our Eastern region.

Maintenance and repair costs in fiscal year 2016 increased \$2.2 million from the prior year as a result of the following:

• higher maintenance costs in our Recycling line-of-business; and

• higher facility maintenance costs; partially offset by

• lower fleet maintenance costs in our Western region.

Labor and related benefit costs in fiscal year 2016 decreased \$(0.7) million from the prior year as a result of the following:

• lower healthcare costs related to plan improvements and lower overall claim activity; and

• lower labor and related benefit costs on lower volumes in our Western region; partially offset by

• higher workers compensation costs; and

• higher labor and related benefit costs on higher collection volumes in our Eastern region.

Third-party direct costs in fiscal year 2016 decreased \$(2.1) million from the prior year as a result of the following:

• lower disposal, hauling and transportation costs associated with decreased collection and transportation volumes in our Western region;

• lower purchased material costs in our Recycling segment; and

• lower purchased material costs in our Customer Solutions line-of-business, partially offset by

• higher disposal costs associated with increased volumes in our Organics line-of-business;

• higher disposal costs associated with increased volumes in our Recycling segment; and

• higher disposal, hauling and transportation costs associated with increased volumes in our Customer Solutions line-of-business.

Fuel costs in fiscal year 2016 decreased \$(2.3) million from the prior year as a result of the following:

• lower diesel fuel prices in the marketplace; and

• the consumption of less diesel fuel.

General and Administration

General and administration expenses include management, clerical and administrative compensation and overhead, professional services and costs associated with marketing, sales force and community relations efforts.

Fiscal Year 2017 Compared to Fiscal Year 2016

An explanation of the period-to-period change in general and administration expense is as follows:

Labor and related benefit costs in fiscal year 2017 increased \$3.9 million from the prior year as a result of the following:

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• higher equity compensation expense of \$3.0 million associated with the timing and assumptions used for market-based performance stock option and market-based performance stock unit grants; and
 • higher benefit costs with increased healthcare costs of \$0.8 million.

Other general and administration expenses in fiscal year 2017 increased \$1.0 million from the prior year as a result of higher recruiting and software and information technology consulting costs.

Bad debt expense in fiscal year 2017 decreased \$(0.8) million due to improved credit processes and collectability issues associated with a disposal customer in the prior year.

Fiscal Year 2016 Compared to Fiscal Year 2015

An explanation of the period-to-period change in general and administration expense is as follows:

Labor and related benefit costs in fiscal year 2016 increased \$3.3 million from the prior year as a result of the following:

• an increase in accrued incentive compensation based on improved performance;

• higher equity compensation costs;

• higher wages and salaries; partially offset by

• lower healthcare costs related to plan improvements and lower overall claim activity.

Other general and administration expenses in fiscal year 2016 increased \$0.2 million from the prior year as a result of the following:

• higher miscellaneous administrative expenses; partially offset by

• lower office and rental costs.

Professional fees in fiscal year 2016 decreased \$(0.8) million from the prior year as a result of the following:

lower consulting fees in fiscal year 2016, with consulting fees elevated in fiscal year 2015 associated with additional consulting and legal fees resulting from our responses to the advance notice of nomination sent to us by an activist investor nominating its own candidates for election as directors at our 2015 Annual Meeting in opposition to the three candidates whom we recommended. That activist investor ultimately withdrew its slate of director candidates prior to the 2015 Annual Meeting and all of our director nominees were elected at the 2015 Annual Meeting by our stockholders.

Depreciation and Amortization

Depreciation and amortization expense includes: (i) depreciation of property and equipment (including assets recorded for capital leases) on a straight-line basis over the estimated useful lives of the assets; (ii) amortization of landfill costs (including those costs incurred and all estimated future costs for landfill development and construction, along with asset retirement costs arising from closure and post-closure obligations) on a units-of-consumption method as landfill airspace is consumed over the total estimated remaining capacity of a site, which includes both permitted capacity and unpermitted expansion capacity that meets certain criteria for amortization purposes; (iii) amortization of landfill asset retirement costs arising from final capping obligations on a units-of-consumption method as airspace is consumed over the estimated capacity associated with each final capping event; and (iv) amortization of intangible assets with a definite life, using either an economic benefit provided approach or on a straight-line basis over the definitive terms of the related agreements.

A summary of the components of depreciation and amortization expense (dollars in millions and as a percentage of total revenues) follows:

	Fiscal Year Ended December 31,					
	2017		2016		2015	
Depreciation expense	\$32.1	5.4 %	\$33.2	5.9 %	\$33.2	6.1 %
Landfill amortization expense	27.9	4.7 %	26.5	4.7 %	27.0	4.9 %
Other amortization expense	2.1	0.3 %	2.2	0.3 %	2.5	0.5 %
	\$62.1	10.4 %	\$61.9	10.9 %	\$62.7	11.5 %

Fiscal Year 2017 Compared to Fiscal Year 2016

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An explanation of the period-to-period change in general and administration expense is as follows: landfill amortization expense increased in fiscal year 2017 from the prior year due to the higher landfill volumes in the Western region combined with an increase in our average overall amortization rate as a result of changes in cost estimates and other assumptions associated with our landfills; partially offset by lower depreciation expense due to the asset impairment associated with closure of the Southbridge Landfill, the timing of capital expenditures and acquisitions, and the related make-up of fixed assets.

Fiscal Year 2016 Compared to Fiscal Year 2015

The period-to-period change in depreciation and amortization expense is primarily related to the following: landfill amortization expense in fiscal year 2016 decreased from the prior year as a result of the landfill volume mix at our landfills (with lower volumes at Southbridge Landfill, where we have diverted certain lower priced tons, and at certain landfills in our Western region, including our Subtitle D landfill located in Mount Jewett, Pennsylvania where we have been impacted by lower drill cutting volumes); partially offset by an increase in our overall average amortization rate as a result of changes in cost estimates and other assumptions associated with our landfills.

Southbridge Landfill Closure Charge

In June 2017, we initiated the plan to cease operations of our Southbridge Landfill. Accordingly, in fiscal year 2017, we recorded charges associated with the closure of our Southbridge Landfill as follows:

	Fiscal Year		
	Ended		
	December 31,		
	2017	2016	2015
Asset impairment charge (1)	\$48.0	\$ —	—
Project development charge (2)	9.1	—	—
Environmental remediation charge (3)	6.4	—	—
Legal and transaction costs (4)	1.7	—	—
Southbridge Landfill closure charge	\$65.2	\$ —	—

We performed a test of recoverability under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, which indicated that the carrying value of our asset group that includes the (1) Southbridge Landfill was no longer recoverable and, as a result, the asset group was assessed for impairment with an impairment charge allocated to the long-lived assets of the Southbridge Landfill in accordance with FASB ASC 360.

(2) We wrote-off deferred costs associated with Southbridge Landfill permitting activities no longer deemed viable.

(3) We recorded an environmental remediation charge associated with the future installation of a municipal waterline.

(4) We incurred legal and other transaction costs associated with various matters as part of the Southbridge Landfill closure.

Expense from Divestiture, Acquisition and Financing Costs

In fiscal year 2017, we incurred \$0.2 million of expenses primarily associated with legal costs for the acquisition of Complete in January 2018.

See Item 7, "Acquisitions and Divestitures" and Note 4, Business Combinations to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for further disclosure.

Environmental Remediation Charge

We recorded an environmental remediation charge of \$0.9 million in fiscal year 2016 due to changes in cost estimates associated with the Potsdam environmental remediation liability.

See Item 3, "Legal Proceedings" and Note 10, Commitments and Contingencies to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for further disclosure.

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Contract Settlement Charge

In fiscal year 2015, we recorded a contract settlement charge of \$1.9 million associated with the Expera Old Town, LLC v. Casella Waste Systems, Inc. legal matter.

Divestiture Transactions

See Acquisitions and Divestitures in this Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 16, Divestiture Transactions in this Annual Report on Form 10-K for disclosure over divestiture transactions.

Other expenses

Interest Expense, net

Our interest expense, net decreased \$(13.8) million in fiscal year 2017 and \$(1.4) million in fiscal year 2016 from the prior years, respectively, due to lower average debt balances and lower interest rates due to changes to our capital structure. Interest expense, net in fiscal year 2016 was unfavorably impacted by the payment of interest on both the 7.75% senior subordinated notes due February 2019 ("2019 Notes") and our \$350.0 million aggregate principal amount term loan B ("Term Loan B Facility") during the thirty-day period between the closing of the Term Loan B Facility and the redemption of the 2019 Notes. Specifically, in order to reduce costs and our exposure to financing and interest rate risk, we have completed the following transactions:

we completed the refinancing of our senior revolving credit and letter of credit facility that was due March 2016 ("Refinanced Revolving Credit Facility") with the senior secured asset-based revolving credit and letter of credit facility due February 2020 ("ABL Facility") and the issuance of an additional \$60.0 million of 2019 Notes, in the first quarter of fiscal year 2015;

we completed the issuance of \$15.0 million of Finance Authority of Maine Solid Waste Disposal Revenue Bonds Series 2015 ("FAME Bonds 2015") in the third quarter of fiscal year 2015;

we repurchased or redeemed, as applicable, \$385.0 million of our most expensive debt, the 2019 Notes, between September 2015 and October 2016;

we completed the issuance of \$15.0 million of New York State Environmental Facilities Corporation Solid Waste Disposal Revenue Bonds Series 2014R-2 ("New York Bonds 2016") in the second quarter of fiscal year 2016;

we completed the refinancing of the ABL Facility with a credit facility that consists of the Term Loan B Facility and a \$160.0 million revolving line of credit facility ("Revolving Credit Facility" and, together with the Term Loan B Facility, the "Credit Facility") and repaid in full our ABL Facility in the third quarter of fiscal year 2016;

we remarketed \$3.6 million aggregate principal amount of Finance Authority of Maine Solid Waste Disposal Revenue Bonds Series 2005R-1 ("FAME Bonds 2005R-1") and \$21.4 million aggregate principal amount of Finance Authority of Maine Solid Waste Disposal Revenue Bonds Series 2005R-2 ("FAME Bonds 2005R-2") into one series of \$25.0 million aggregate principal amount of Finance Authority of Maine Solid Waste Disposal Revenue Bonds Series 2005R-3 ("FAME Bonds 2005R-3") in the first quarter of fiscal year 2017; and

we entered into the first amendment ("Repricing Amendment") to our Term Loan B Facility and Revolving Credit Facility, which decreased the applicable interest margin for our Term Loan B Facility by 25 basis points for both LIBOR borrowings and base rate borrowings in the second quarter of fiscal year 2017.

Impairment of Investments

As of December 31, 2017, we owned 5.6% of the outstanding common stock of Recycle Rewards, Inc. ("Recycle Rewards"), a company that markets an incentive based recycling service. In fiscal year 2015, it was determined based on the operating performance of Recycle Rewards that our cost method investment in Recycle Rewards was potentially impaired. As a result, we performed a valuation analysis in fiscal year 2015, which used an income approach based on discounted cash flows to determine an equity value for Recycle Rewards in order to properly value our cost method investment in Recycle Rewards. Based on this analysis, it was determined that the fair value of our cost method investment in Recycle Rewards was less than the carrying amount and, therefore, we recorded an other-than-temporary investment impairment charge of \$1.1 million in fiscal year 2015.

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As of December 31, 2017, we owned 5.2% of the outstanding equity value of GreenerU, Inc. (“GreenerU”), a services company focused on providing energy efficiency, sustainability and renewable energy solutions to colleges and universities. In fiscal year 2015, it was determined based on the operating performance and recent indications of third-party interest in GreenerU that our cost method investment in GreenerU was potentially impaired. A valuation analysis was performed by a third-party valuation specialist using a market approach based on an option pricing methodology to determine an equity value and fair market value per share for GreenerU. Based on this analysis, it was determined that the fair value of our cost method investment in GreenerU was less than the carrying amount and, therefore, we recorded an other-than-temporary investment impairment charge of \$0.7 million in fiscal year 2015. As of December 31, 2017, we owned 17.0% and 16.2% of the outstanding common stock of AGreen Energy LLC (“AGreen”) and BGreen Energy LLC (“BGreen”), respectively. In fiscal year 2015, AGreen and BGreen, both of which we account for as cost method investments, entered into agreements that resulted in the contribution and sale of certain assets and liabilities of AGreen and BGreen to a limited liability company in exchange for partial ownership interests in a parent of that limited liability company. As a result of the transactions, we performed an analysis to determine whether an other-than-temporary impairment in the carrying value of our cost method investments had occurred. Based on the analysis performed, which measured the fair value of our cost method investments using an in-exchange valuation premise under the market approach that utilized the estimated purchase consideration received, we recorded an investment impairment charge of \$0.3 million in fiscal year 2015.

Loss on Derivative Instruments

In the fiscal year ended April 30, 2012, we entered into two forward starting interest rate derivative agreements that were initially being used to hedge the interest rate risk associated with the forecasted financing transaction to redeem our Second Lien Notes. The total notional amount of these agreements was \$150.0 million and required us to receive interest based on changes in LIBOR and pay interest at a rate of approximately 1.40%. During the fiscal year ended April 20, 2013, we dedesignated both of the \$75.0 million forward starting interest rate derivative agreements and discontinued hedge accounting in accordance with FASB ASC 815 because the interest payments associated with the forecasted financing transaction were no longer deemed probable. As a result, we recognized the change in fair value of the interest rate swaps along with any cash settlements through earnings as gain or loss on derivative instruments. We recorded a loss on derivative instruments of \$0.2 million in fiscal year 2015 before both forward starting interest rate derivative agreements matured in the first quarter of fiscal year 2016.

Loss on Debt Extinguishment

We recorded a loss on debt extinguishment in fiscal years 2017, 2016 and 2015 of \$0.5 million, \$13.7 million and \$1.0 million, respectively, associated with the following:

- the write-off of debt issuance costs in connection with the Repricing Amendment in fiscal year 2017;
- the write-off of debt issuance costs in connection with the remarketing of the FAME Bonds 2005R-1 and the FAME Bonds 2005R-2 into the FAME Bonds 2005R-3 in fiscal year 2017;
- the write-off of debt issuance costs in connection with changes to the borrowing capacity from our ABL Facility to the Credit Facility in fiscal year 2016;
- the repurchase price premium and write-off of debt issuance costs and unamortized original issue discount associated with the early redemption, repurchase and retirement of our 2019 Notes in fiscal years 2016 and 2015; and
- the write-off of debt issuance costs in connection with changes to the borrowing capacity from our Refinanced Revolving Credit Facility to the ABL Facility in fiscal year 2015.

(Benefit) Provision for Income Taxes

Our (benefit) provision for income taxes from continuing operations for fiscal year 2017 decreased \$(15.8) million to \$(15.3) million from \$0.5 million in fiscal year 2016. The provision for income taxes for fiscal year 2016 decreased \$(0.9) million to \$0.5 million from \$1.4 million in fiscal year 2015. The (benefit) provision for income taxes for fiscal years 2017, 2016 and 2015 include a deferred tax (benefit) provision of \$(15.6) million, \$0.6 million and \$0.8 million, respectively.

The change in the provisions for income taxes from 2015 to 2016 and the deferred tax provisions for 2016 and 2015 were primarily related to the deferred tax liability for indefinite lived assets. Since we could not determine when the

deferred tax liability related to indefinite lived assets would reverse, this amount could not be used as a future source of taxable income against which to benefit deferred tax assets.

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On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was enacted. The Act, which is also commonly referred to as “US tax reform,” significantly changes US corporate income tax laws by, among other things, reducing the US corporate income tax rate from 35% to 21% starting in 2018. Under the Act, our \$101.2 million in federal net operating loss carryforwards generated as of the end of 2017 continue to be carried forward for 20 years and are expected to be available to fully offset taxable income earned in future tax years. Federal net operating losses generated after 2017 will be carried forward indefinitely, but generally may only offset up to 80% of taxable income earned in a tax year. In the quarter ending December 31, 2017, we revalued our deferred tax assets and liabilities due to these changes, including (a) revaluing our federal net deferred tax assets before valuation allowance using the 21% tax rate, resulting in an increased federal deferred tax provision of \$33.7 million; (b) revaluing our federal valuation allowance using the 21% tax rate, including the impact of tax planning strategies, resulting in a federal deferred tax benefit to continuing operations of \$(36.6) million; (c) recognizing a federal deferred tax benefit of \$(12.8) million for 80% of indefinite lived deferred tax liabilities, which are anticipated to be available as a source of taxable income upon reversal of deferred tax assets that would also have indefinite lives; and (d) recognizing \$0.1 million state deferred tax provision unaffected by the changes in the Act.

In connection with New York State’s (“State”) audit of our tax returns for fiscal years ended April 30, 2011 through April 30, 2013, the State had alleged that we were not permitted to file a single combined corporation franchise tax return with our subsidiaries. During the quarter ended March 31, 2015, as a result of discussions with the State, we decided to settle the audit for an amount less than 8.0% of the total cumulative alleged liability in order to minimize the out-of-pocket costs and potential litigation. As a result of these discussions, we recorded a \$0.2 million gross increase in uncertain tax positions in the quarter ended March 31, 2015 related to the settlement with the State. This settlement was finalized in August 2015 for \$0.2 million. As a result of these discussions, as well as a net unfavorable reversal of a portion of other positions due to the expiration of the statute of limitations, during the quarter ended March 31, 2015 we recorded an increase in the reserve for uncertain tax positions of \$0.4 million, which was reduced by \$0.2 million due to settlement with the State on this same matter during the quarter ended September 30, 2015. During fiscal year 2016, we recorded a decrease in the reserve for uncertain tax positions of \$0.4 million due to the expiration of the statute of limitations on other positions.

Segment Reporting

A summary of revenues by operating segment (in millions) follows:

	Fiscal Year Ended			Fiscal Year Ended		
			\$			\$
	December 31, 2017	December 31, 2016	Change	December 31, 2016	December 31, 2015	Change
Eastern	\$181.2	\$176.5	\$ 4.7	\$176.5	\$167.5	\$ 9.0
Western	250.8	233.2	17.6	233.2	232.0	1.2
Recycling	62.3	52.9	9.4	52.9	46.3	6.6
Other	105.0	102.4	2.6	102.4	100.7	1.7
Total	\$599.3	\$565.0	\$ 34.3	\$565.0	\$546.5	\$ 18.5

Eastern Region

The following table provides details associated with the period-to-period change in revenues (dollars in millions) attributable to services provided:

	Period-to-Period Change for Fiscal Year 2017 vs Fiscal Year 2016		Period-to-Period Change for Fiscal Year 2016 vs Fiscal Year 2015	
	Amount	% of Growth	Amount	% of Growth

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Price	\$ 5.4	3.1	%	\$ 5.9	3.5	%
Volume	(2.4)	(1.4)	%	3.3	2.0	%
Fuel surcharge and other fees	—	—	%	(0.1)	—	%
Commodity price & volume	(0.6)	(0.4)	%	(0.1)	(0.1)	%
Acquisitions & divestitures	2.3	1.3	%	—	—	%
Solid waste revenues	\$ 4.7	2.6	%	\$ 9.0	5.4	%

Price.

The price change component in fiscal year 2017 solid waste revenues growth from the prior year is a result of the following:

\$3.5 million from favorable collection pricing; and

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\$1.9 million from favorable disposal pricing related to transfer stations and landfills.

The price change component in fiscal year 2016 solid waste revenues growth from the prior year is a result of the following:

\$4.0 million from favorable collection pricing, including a floating SRA fee; and

\$1.9 million from favorable disposal pricing related to transfer stations and landfills.

Volume.

The volume change component in fiscal year 2017 solid waste revenues growth from the prior year is a result of the following:

\$(5.3) million from lower disposal volumes (of which \$(4.6) million relates to lower landfill volumes, mainly due to the ramp down of tons at our Southbridge Landfill, and \$(0.7) million relates to lower transfer station volumes);

partially offset by

\$2.9 million from higher collection volumes.

The volume change component in fiscal year 2016 solid waste revenues growth from the prior year is a result of the following:

\$4.2 million from higher collection volumes; and

\$(0.9) million from lower disposal volumes (of which \$(1.1) million relates to lower landfill volumes and \$0.2 million relates to higher transfer station volumes).

Commodity price and volume.

The commodity price and volume change component in fiscal year 2017 total solid waste revenues growth is the result of decreased energy pricing and volumes.

Acquisitions and divestitures.

The acquisitions and divestitures change component in fiscal year 2017 solid waste revenues growth is the result of the acquisition of a solid waste collection business in the quarter ended June 30, 2017.

Western Region

The following table provides details associated with the period-to-period change in revenues (dollars in millions) attributable to services provided:

	Period-to-Period Change for Fiscal Year 2017 vs Fiscal Year 2016		Period-to-Period Change for Fiscal Year 2016 vs Fiscal Year 2015	
	Amount	% of Growth	Amount	% of Growth
Price	\$ 6.6	2.8 %	\$ 8.0	3.5 %
Volume	8.0	3.5 %	(7.6)	(3.3)%
Fuel surcharge and other fees	0.5	0.2 %	—	— %
Commodity price & volume	1.4	0.6 %	(0.4)	(0.2)%
Acquisitions & divestitures	1.1	0.5 %	1.2	0.5 %
Solid waste revenues	\$ 17.6	7.6 %	\$ 1.2	0.5 %

Price.

The price change component in fiscal year 2017 solid waste revenues growth from the prior year is a result of the following:

\$4.2 million from favorable collection pricing; and

\$2.4 million from favorable disposal pricing related to transfer stations and landfills.

The price change component in fiscal year 2016 solid waste revenues growth from the prior year is a result of the following:

\$6.9 million from favorable collection pricing, including a floating SRA fee; and

\$1.1 million from favorable disposal pricing related to transfer stations and landfills.

Volume.

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The volume change component in fiscal year 2017 solid waste revenues growth from the prior year is a result of the following:

\$7.8 million from higher disposal volumes (of which \$5.1 million relates to higher landfill volumes, \$1.2 million relates to higher transfer station volumes and \$1.5 million relates to higher transportation volumes); and \$0.3 million from higher processing volumes.

The volume change component in fiscal year 2016 solid waste revenues growth from the prior year is a result of the following:

\$(4.3) million from lower disposal volumes (of which \$(1.7) million relates to lower landfill volumes, including lower drill cutting volumes, \$(3.2) million relates to lower transportation volumes associated with lower drill cutting volumes, and \$0.6 million relates to higher transfer station volumes); and

\$(3.1) million from lower collection volumes.

Fuel surcharge and other fees.

The fuel surcharge and other fees change component in fiscal year 2017 solid waste revenues growth from the prior year is the result of higher collection revenues generated from volume growth.

Commodity price and volume.

The commodity price and volume change component in fiscal year 2017 solid waste revenues growth from the prior year is the result of favorable commodity pricing and higher volumes within our processing operations, partially offset by lower landfill gas-to-energy volumes.

The commodity price and volume change component in fiscal year 2016 solid waste revenues growth from the prior year is the result of unfavorable energy pricing within our landfill gas-to-energy operations, partially offset by higher volumes within our landfill gas-to-energy and processing operations and favorable commodity pricing within our processing operations.

Acquisitions and divestitures.

The acquisitions and divestitures change component in fiscal year 2017 solid waste revenues growth from the prior year is the result of the acquisition of three collection operations in fiscal year 2017.

The acquisitions and divestitures change component in fiscal year 2016 solid waste revenues growth from the prior year is the result of the acquisition of three transfer stations in the quarter ended June 30, 2016, partially offset by the divestiture of a business in fiscal year 2015.

A summary of operating (loss) income by operating segments (in millions) follows:

	December 31, \$			December 31, \$		
	2017	2016	Change	2016	2015	Change
Eastern	\$(51.9)	\$9.7	\$(61.6)	\$9.7	\$7.4	\$ 2.3
Western	35.0	30.6	4.4	30.6	26.0	4.6
Recycling	2.8	2.5	0.3	2.5	(2.4)	4.9
Other	1.5	2.1	(0.6)	2.1	0.9	1.2
Total	\$(12.6)	\$44.9	\$(57.5)	\$44.9	\$31.9	\$ 13.0

Eastern Region

Fiscal Year 2017 Compared to Fiscal Year 2016

Eastern region operating income decreased \$(61.6) million in fiscal year 2017 from the prior year including the following items:

the \$(65.2) million Southbridge Landfill closure charge associated with our plan to cease operations of our Southbridge Landfill; and

the \$(0.2) million expense from divestiture, acquisition and financing costs associated with legal costs for the acquisition of Complete in January 2018.

Our operating performance in fiscal year 2017 improved due to the revenue changes outlined above despite the following cost changes:

Cost of operations: Cost of operations increased \$8.0 million in fiscal year 2017 from the prior year as a result of the following:

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• higher hauling and transportation costs associated with higher collection volumes;
• higher direct labor costs associated with higher collection volumes, customer growth related to several new municipal contracts, and higher healthcare costs of \$0.8 million;
• higher accretion expense associated with the acceleration of asset retirement obligations due to the closure of the Southbridge Landfill; and
• higher equipment rental costs; partially offset by
• lower landfill operating costs with certain landfills.

General and administration: General and administration expense increased \$1.7 million in fiscal year 2017 due to higher shared overhead costs associated with an increase in healthcare costs and higher equity compensation expense, partially offset by lower bad debt expense.

Depreciation and amortization: Depreciation and amortization expense decreased \$(3.2) million in fiscal year 2017 due to lower landfill amortization expense associated with lower landfill volumes at the Southbridge Landfill and the North Country Environmental Services landfill ("NCES Landfill") and changes to the asset retirement obligation amortization rate at the NCES Landfill, and lower depreciation expense due to the asset impairment associated with closure of the Southbridge Landfill.

Fiscal Year 2016 Compared to Fiscal Year 2015

Eastern region operating income increased \$2.3 million in fiscal year 2016 from the prior year including the following items:

• the \$1.1 million impact of the Maine Energy divestiture reserve reversal in fiscal year 2015; and
• the \$(1.9) million contract settlement charge associated with the Expera Old Town, LLC v. Casella Waste Systems, Inc. legal matter in fiscal year 2015.

Our operating performance in fiscal year 2016 improved due to the revenue changes outlined above despite the following cost changes:

Cost of operations: Cost of operations increased by \$7.1 million in fiscal year 2016 from the prior year as a result of the following:

• higher third-party disposal costs associated with higher collection and, to a lesser extent, higher disposal volumes from organic customer growth;
• higher labor and related benefit costs on higher collection volumes;
• higher direct operational costs (including gas control and other landfill operating costs, higher equipment rental costs, and higher accretion expense related to final capping, closure and post-closure obligations); and
• higher facility maintenance and repair costs; partially offset by
• lower diesel fuel costs on lower prices;
• lower depletion of landfill operating lease obligations due to a lower per ton rate and lower volumes at our Southbridge Landfill; and
• lower host royalty fees at our Southbridge Landfill.

General and administration: General and administration expenses increased by \$1.5 million in fiscal year 2016 from the prior year as a result of higher shared overhead costs due primarily to an increase in accrued incentive compensation based on improved performance.

Depreciation and amortization: Depreciation and amortization expense increased by \$1.1 million in fiscal year 2016 from the prior year as the result of an increase in the average landfill amortization rates in the Eastern region (including Southbridge Landfill), and the change in landfill volume mix (with lower volumes at Southbridge Landfill, where we diverted certain lower priced tons).

Western Region

Fiscal Year 2017 Compared to Fiscal Year 2016

Western region operating income increased \$4.4 million in fiscal year 2017 from the prior year including the following item:

• the \$(0.9) million impact of the Potsdam environmental remediation liability charge in fiscal year 2016.

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Our operating performance in fiscal year 2017 improved due to the revenue changes outlined above despite the following cost changes:

Cost of operations: Cost of operations increased \$12.3 million in fiscal year 2017 from the prior year as a result of the following:

- higher disposal costs associated with higher transfer station volumes and increased third-party disposal pricing;
- higher direct labor costs associated with increased labor costs associated with higher landfill and transfer station volumes and increased healthcare costs of \$0.7 million;
- higher direct operational costs associated with increased leachate disposal and higher landfill operating costs due to:
 - increased rainfall through early summer and the timing of various landfill construction projects; and higher host community fees associated with increased volumes at certain of our landfills;
- higher fuel costs as a result of higher consumption and increased diesel fuel prices; and
- higher fleet maintenance costs; partially offset by
- lower hauling and transportation costs associated with decreased transportation services provided.

General and administration: General and administration expense increased \$2.0 million in fiscal year 2017 as a result of higher shared overhead costs associated with an increase in healthcare costs and higher equity compensation expense, partially offset by lower wages and personnel costs.

Depreciation and amortization: Depreciation and amortization expense increased \$3.3 million in fiscal year 2017 from the prior year due to higher landfill amortization expense (associated with the higher landfill volumes, combined with the volume mix and changes to landfill amortization rates as a result of changes in cost estimates and other assumptions associated with our landfills) more than offsetting lower depreciation expense attributed to the timing of capital expenditures and related make-up of fixed assets.

Fiscal Year 2016 Compared to Fiscal Year 2015

Western region operating income increased \$4.6 million in fiscal year 2016 from the prior year including the following items:

- the \$(0.9) million impact of the Potsdam environmental remediation liability charge in fiscal year 2016;
- the \$0.6 million impact associated with a gain on the divestiture of a business in fiscal year 2015, which included the sale of certain assets associated with various waste collection routes; and
- the \$3.8 million impact of the gain associated with the disposal of certain assets of the CARES water treatment facility in fiscal year 2015 and certain of our equipment and real estate in a related transaction.

This improvement is primarily attributable to revenue growth outlined above and the following cost changes:

Cost of operations: Cost of operations decreased by \$(7.6) million in fiscal year 2016 from the prior year as a result of the following:

- lower third-party hauling and transportation costs associated with lower collection and transportation volumes;
 - lower healthcare costs related to plan improvements and lower overall claim activity;
- lower labor and related benefit costs on lower volumes;
- lower fleet maintenance costs; and
- lower diesel fuel costs on lower prices and volumes; partially offset by
- higher direct operational costs (including higher equipment rental costs, higher host royalty fees, higher landfill operating lease amortization and lower leachate disposal costs);
- higher workers compensation costs; and
- higher facility maintenance costs.

General and administration: General and administration expenses increased by \$0.7 million in fiscal year 2016 from the prior year as a result of the following:

- an increase in accrued incentive compensation based on improved performance; and
- higher shared overhead costs due primarily to an increase in accrued incentive compensation; partially offset by

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• lower healthcare costs related to plan improvements and lower overall claim activity; and
• lower bad debt expense associated with an increase in the reserve in the prior year for certain landfill customers.
Depreciation and amortization: Depreciation and amortization expenses decreased \$(2.0) million in fiscal year 2016 from the prior year as a result of changes to certain of our landfill amortization rates from prior year and the distribution of landfill tonnage placement across various landfills.

Recycling

Recycling operating income increased by \$0.3 million in fiscal year 2017 from the prior year. Our operating performance in fiscal year 2017 improved due to the revenue changes outlined above and the following cost changes:
• higher third-party purchased material costs of operations due to higher commodity prices on average year-over-year;
• higher labor and related benefit costs of operations associated with higher healthcare costs, higher volumes, and
• higher product quality standards from commodity buyers resulting in lower throughput and additional manpower;
• higher facility maintenance costs; and
• higher general and administration expenses associated with higher labor costs and higher shared overhead costs associated with an increase in healthcare costs and higher equity compensation expense.

Recycling operating income increased by \$4.9 million in fiscal year 2016 from the prior year. Our operating performance in fiscal year 2016 declined due to the revenue changes outlined above despite the following cost changes:

• higher disposal costs associated with increased volumes;
• higher maintenance costs; and
• higher shared overhead costs due primarily to an increase in accrued incentive compensation based on improved performance; partially offset by
• lower purchased material costs.

Other

Other operating income decreased by \$(0.6) million in fiscal year 2017 from the prior year. Our operating performance in fiscal year 2017 declined based on lower operating performance of our Organics line-of-business, as lower operating costs did not offset the decline in commodity volumes and higher disposal costs due to the use of alternative disposal sites; and improved operating performance of our Customer Solutions line-of-business, as increased volumes outweighed higher cost of operations associated with increased purchased material, hauling and transportation, and healthcare costs.

Other operating income increased by \$1.2 million in fiscal year 2016 from the prior year. Our operating performance in fiscal year 2017 improved based on the improved performance of both our Organics and Customer Solutions lines-of-business, partially offset by an increase in accrued incentive compensation based on improved performance, higher hauling and transportation costs associated with volume increases in our Organics line-of-business, and higher hauling, transportation and disposal costs associated with volume increases in our Customer Solutions line-of-business.

Liquidity and Capital Resources

We continually monitor our actual and forecasted cash flows, our liquidity, and our capital requirements in order to properly manage our cash needs based on the capital intensive nature of our business. Our capital requirements include fixed asset purchases (including capital expenditures for vehicles), debt servicing, landfill development and cell construction, landfill site and cell closure, as well as acquisitions. We generally meet our liquidity needs from operating cash flows and borrowings from our Revolving Credit Facility.

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As part of our decision to cease operations at the Southbridge Landfill as discussed in Note 10, Commitments and Contingencies to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K, we assessed the estimated costs and timing of cash flows associated with remaining capital expenditures, environmental remediation, and final capping, closure and post-closure activities at the Southbridge Landfill. We expect cash outflows in the next five years associated with these activities to be approximately \$19.0 million and we do not believe that this will negatively impact our liquidity during this time. In addition, we estimate that over \$10.8 million in additional tax deductions related to ceasing operations will be recognized in the next five years. Furthermore, we do not believe that ceasing operations at the Southbridge Landfill will impact our future operational activities in a manner that will have a material impact to our results of operations, our cash flows and our financial condition.

A summary of cash and cash equivalents, restricted assets and long-term debt balances, excluding any unamortized debt discount and debt issuance costs, (in millions) follows:

	December 31,	
	2017	2016
Cash and cash equivalents	\$2.0	\$2.5
Restricted assets:		
Restricted investments - landfill closure	\$1.2	\$1.0
Long-term debt:		
Current portion	\$4.9	\$4.7
Long-term portion	492.8	520.9
Total long-term debt	\$497.7	\$525.6

Summary of Cash Flow Activity

The following table summarizes our cash flows (in millions) for the periods indicated:

	Fiscal Year Ended		
	December 31,		
	2017	2016	2015
Net cash provided by operating activities	\$107.5	\$80.4	\$70.5
Net cash used in investing activities	\$(76.4)	\$(63.0)	\$(48.8)
Net cash used in financing activities	\$(31.6)	\$(17.2)	\$(21.6)

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Cash flows from operating activities.

The following is a summary of our operating cash flows (in millions) for fiscal years 2017, 2016 and 2015:

	Fiscal Year Ended December 31,		
	2017	2016	2015
Net loss	\$(21.8)	\$(6.9)	\$(11.8)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	62.1	61.9	62.7
Gain on sale of property and equipment	—	(0.6)	(0.1)
Depletion of landfill operating lease obligations	9.7	9.3	9.4
Interest accretion on landfill and environmental remediation liabilities	4.5	3.6	3.4
Stock-based compensation	6.4	3.4	3.1
Southbridge landfill non-cash closure charge	63.5	—	—
Divestiture transactions	—	—	(5.5)
Amortization of debt issuance costs and discount on long-term debt	2.7	3.9	4.0
Loss on debt extinguishment	0.5	13.7	1.0
Loss on derivative instruments	—	—	0.2
Impairment of investments	—	—	2.1
Excess tax benefit on the vesting of share based awards	—	—	(0.2)
Deferred income taxes	(15.5)	0.6	0.8
	112.1	88.9	69.1
Changes in assets and liabilities, net	(4.6)	(8.5)	1.4
Net cash provided by operating activities	\$107.5	\$80.4	\$70.5

A summary of the most significant items affecting the changes in our operating cash flows follows:

Improved operational performance in fiscal year 2017 as compared to fiscal year 2016 due to the following:

- higher revenues of \$34.3 million driven by our Recycling line-of-business, our collection line-of-business, our Western region disposal line-of-business and our Customer Solutions line-of-business; partially offset by
- higher cost of operations of \$23.2 million driven by higher third-party direct costs, higher labor and related benefit costs, including significant healthcare cost increases, higher maintenance costs, and higher direct operational costs.

Improved operational performance in fiscal year 2016 as compared to fiscal year 2015 due to the following:

- higher revenues of \$18.5 million driven by our collection line-of-business, as well as our Organics and Recycling businesses; and
- lower cost of operations of \$(0.6) million driven by lower third-party direct costs, lower labor and related benefit costs, and lower fuel costs; partially offset by
- higher general and administration expenses of \$2.5 million driven primarily by higher accrued incentive compensation costs based on improved performance.

The favorable cash flow impact associated with the changes in our assets and liabilities, net of effects of acquisitions and divestitures, which are affected by both cost changes and the timing of payments, in fiscal year 2017 as compared to fiscal year 2016 was the result of the following:

- lower cash outflows associated with cash interest payments running through accrued expenses and other liabilities;
- lower cash outflows associated with prepaid expenses, inventories and other assets; and
- lower cash outflows associated with accounts payable; partially offset by
- higher cash outflows associated with accrued payroll and incentive compensation; and
- lower cash inflows associated with accounts receivable.

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The unfavorable cash flow impact associated with the changes in our assets and liabilities, net of effects of acquisitions and divestitures, which are affected by both cost changes and the timing of payments, in fiscal year 2016 as compared to fiscal year 2015 was the result of the following:

- the unfavorable cash flow impact associated with accrued expenses and other liabilities related primarily to higher interest payments on the redemption of the 2019 Notes and related financing activities; and
- the unfavorable cash flow impact associated with prepaid expenses, inventories and other assets; partially offset by
- the favorable cash flow impacts associated with accounts receivable and accounts payable.

Cash flows from investing activities.

A summary of investing cash flows (in millions) follows:

	Fiscal Year Ended		
	December 31,		
	2017	2016	2015
Acquisitions, net of cash acquired	\$(5.1)	\$(2.8)	\$—
Acquisition related additions to property, plant and equipment	(0.5)	—	—
Additions to property, plant and equipment	(64.4)	(54.2)	(50.0)
Payments on landfill operating lease contracts	(7.2)	(7.3)	(5.4)
Proceeds from divestiture transactions	—	—	5.3
Proceeds from sale of property and equipment	0.7	1.3	0.7
Proceeds from property insurance settlement	—	—	0.6
Net cash used in investing activities	\$(76.5)	\$(63.0)	\$(48.8)

A summary of the most significant items affecting the change in our investing cash flows for fiscal year 2017 from the prior year follows:

Acquisitions, net of cash acquired. We acquired one solid waste collection business in our Eastern region and three solid waste collection businesses in our Western region for total consideration of \$8.1 million, including \$4.8 million in cash.

Capital expenditures. Capital expenditures were \$10.7 million higher in fiscal year 2017 as compared to fiscal year 2016 primarily due to timing differences with various landfill development projects and business growth.

Payments on landfill operating lease contracts. Landfill operating lease payments decreased \$(0.1) million in fiscal year 2017 as compared to fiscal year 2016 due to the timing of payments at certain of our landfills based on the terms of the operating lease contracts.

Proceeds from the sale of property and equipment. Proceeds from the sale of property and equipment decreased \$(0.6) million in fiscal year 2017 as compared to fiscal year 2016 due to the timing and make-up of various asset sales.

A summary of the most significant items affecting the change in our investing cash flows for fiscal year 2016 from the prior year follows:

Capital expenditures. Capital expenditures were \$4.2 million higher in fiscal year 2016 primarily due to increased spend on various landfill development projects.

Proceeds from divestiture transactions. We divested a business, certain assets of the CARES water treatment facility, and other equipment of ours as a result of the CARES transaction for cash consideration of \$5.3 million in fiscal year 2015.

Acquisitions, net of cash acquired. We acquired three transfer stations in our Western region during fiscal year 2016 for total cash consideration of \$2.8 million.

Payments on landfill operating lease contracts. Landfill operating lease contract payments increased \$1.9 million due to higher payments at our Western region landfills based on the terms of the operating lease contracts.

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Cash flows from financing activities.

A summary of financing cash flows (in millions) follows:

	Fiscal Year Ended		
	December 31,		
	2017	2016	2015
Proceeds from long-term borrowings	\$185.5	\$604.9	\$355.2
Principal payments on long-term debt	(217.0)	(608.2)	(371.0)
Change in restricted cash	—	1.3	4.5
Payments of debt issuance costs	(1.5)	(8.1)	(9.0)
Payments of debt extinguishment costs	—	(7.2)	(0.2)
Proceeds from the exercise of share based awards	1.3	0.1	0.2
Excess tax benefit on the vesting of share based awards	—	—	0.2
Distribution to noncontrolling interest holders	—	—	(1.5)
Net cash used in financing activities	\$(31.7)	\$(17.2)	\$(21.6)

A summary of the most significant items affecting the change in our financing cash flows for fiscal year 2017 from the prior year follows:

Debt activity.

Debt payments exceeded debt borrowings in fiscal year 2017, resulting in a reduction of long-term debt by \$(31.5) million primarily associated with the repayment of \$(30.1) million of long-term debt under the Credit Facility in fiscal year 2017.

Debt payments exceeded debt borrowings in fiscal year 2016, resulting in a reduction of long-term debt by \$(3.3) million associated with the following:

- the repurchase or redemption, as applicable, of \$370.3 million our 2019 Notes; partially offset by the refinancing of our ABL Facility with our Credit Facility in fiscal year 2016, which includes the Term Loan B Facility; and

- the issuance of \$15.0 million of New York Bonds 2016 in fiscal year 2016.

Payments of debt issuance costs. We made \$1.5 million of debt issuance cost payments in fiscal year 2017 related to the Repricing Amendment and the remarketing of the FAME Bonds 2005R-1 and the FAME Bonds 2005R-2 into the FAME Bonds 2005R-3 as compared to \$8.1 million in fiscal year 2016 related to the refinancing of our ABL Facility with our Credit Facility and the issuance of New York Bonds 2016.

Proceeds from the exercise of share based awards. We received \$1.3 million of cash receipts associated with the exercise of stock options in fiscal year 2017 as compared to \$0.1 million in fiscal year 2016 due primarily to the appreciation of our stock price and the expiration of certain management grants.

A summary of the most significant items affecting the change in our financing cash flows for fiscal year 2016 from the prior year follows:

Debt activity.

Debt payments exceeded debt borrowings in fiscal year 2016, resulting in a reduction of long-term debt by \$(3.3) million associated with the following:

- the repurchase or redemption, as applicable, of \$370.3 million our 2019 Notes; partially offset by the refinancing of our ABL Facility with our Credit Facility in fiscal year 2016, which includes the Term Loan B Facility; and

- the issuance of \$15.0 million of New York Bonds 2016 in fiscal year 2016.

Debt payments exceeded debt borrowings in fiscal year 2015, resulting in a reduction of long-term debt by \$(15.8) million associated with the following:

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- the refinancing of our Refinanced Revolving Credit Facility with the ABL Facility and the issuance of an additional \$60.0 million of 2019 Notes in fiscal year 2015, which when combined with revolver activity resulted in a reduction of long-term debt by \$(13.9) million in fiscal year 2015; and
- the repurchase of \$(14.7) million of our 2019 Notes in fiscal year 2015; partially offset by the issuance of \$15.0 million of FAME Bonds 2015 in fiscal year 2015.

Change in restricted cash. The change in restricted cash was a result of the following:

in fiscal year 2015, we obtained \$5.6 million of restricted cash associated with the issuance of \$15.0 million aggregate principal amount of FAME Bonds 2015 and used \$6.9 million of the restricted cash associated with the issuance of the FAME Bonds 2015 and the New York Bonds 2014 to pay down ABL Facility borrowings used to finance certain capital projects in the states of New York and Maine;

in fiscal year 2016, we used the remaining \$1.3 million of restricted cash associated with the issuance of FAME Bonds 2015 to pay down ABL Facility borrowings for costs incurred to fund certain capital projects in the state of Maine; and

in fiscal year 2016, we obtained \$3.0 million of restricted cash from the issuance of \$15.0 million aggregate principal amount of New York Bonds 2016 and subsequently used these funds to pay down ABL Facility borrowings for costs incurred to fund certain capital projects in the state of New York.

Payments of debt issuance costs. We made \$9.0 million of debt issuance cost payments in fiscal year 2015 related to the issuance of an additional \$60.0 million of 2019 Notes and \$15.0 million of FAME Bonds 2015, and the refinancing of our Refinanced Revolving Credit Facility with our ABL Facility, as compared to \$8.1 million of debt issuance cost payments in fiscal year 2016 related to the refinancing of our ABL Facility with our Credit Facility and the issuance of New York Bonds 2016.

Payments of debt extinguishment costs. We made \$7.2 million of debt extinguishment cost payments in fiscal year 2016 and \$0.1 million in fiscal year 2015 related to the early redemption, repurchase and retirement, in fiscal year 2016, of our 2019 Notes.

Distribution to noncontrolling interest holder. We distributed \$1.5 million in fiscal year 2015 to Altela, Inc. associated with the disposal of certain assets of CARES as a part of the dissolution of the business.

Outstanding Long-Term Debt

Credit Facility

In fiscal year 2016, we entered into a credit agreement ("Credit Agreement"), which provides for a \$350.0 million aggregate principal amount Term Loan B Facility and a \$160.0 million Revolving Credit Facility and, together with the Term Loan B Facility. The net proceeds from this transaction were used to repay in full our ABL Facility and to redeem all of our remaining outstanding 2019 Notes at a redemption price equal to 101.938% of the principal amount thereof plus accrued and unpaid interest thereon and to pay related transaction expenses. We have the right to request, at our discretion, an increase in the amount of loans under the Credit Facility by an aggregate amount of \$100.0 million, subject to the terms and conditions set forth in the Credit Agreement.

The Term Loan B Facility has a 7-year term and initially bore interest at a rate of LIBOR plus 3.00% per annum (with a 1.00% LIBOR floor), which would be reduced to a rate of LIBOR plus 2.75% upon us reaching a consolidated net leverage ratio of 3.75x or less. The Revolving Credit Facility has a 5-year term and initially bore interest at a rate of LIBOR plus 3.00% per annum, which is adjusted from an applicable rate of LIBOR plus 2.50% to 3.25% depending on our consolidated net leverage ratio. In fiscal year, 2017, we entered into the Repricing Amendment. The Repricing Amendment decreased the applicable interest margin for our Term Loan B Facility by 25 basis points for both LIBOR borrowings and base rate borrowings. The applicable interest rate margin is determined based on our consolidated net leverage ratio, with the interest rate initially set at 2.75% for LIBOR borrowings (with a 1.00% LIBOR floor) and 1.75% for base rate borrowings at December 31, 2017. The applicable interest rate is reduced to 2.50% for LIBOR borrowings (with a 1.00% LIBOR floor) and 1.50% for base rate borrowings upon us reaching a consolidated net leverage ratio of 3.75x or less, which was the case at December 31, 2017.

Our Credit Facility is guaranteed jointly and severally, fully and unconditionally by all of our significant wholly-owned subsidiaries and secured by substantially all of our assets. As of December 31, 2017, further advances

were available under the Revolving Credit Facility in the amount of \$101.5 million. The available amount is net of outstanding irrevocable letters of credit totaling \$22.5 million, at which date no amount had been drawn.

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The Credit Agreement requires us to maintain a minimum interest coverage ratio and a maximum consolidated net leverage ratio, to be measured at the end of each fiscal quarter. As of December 31, 2017, we were in compliance with all financial covenants contained in the Credit Agreement as follows (in millions):

Credit Facility Covenant	Fiscal Year	
	Ended December 31, 2017	Covenant Requirements at December 31, 2017
Maximum consolidated net leverage ratio (1)	3.68	5.375
Minimum interest coverage ratio	5.91	2.50

(1)The maximum consolidated net leverage ratio is calculated as consolidated funded debt, net of unencumbered cash and cash equivalents in excess of \$2.0 million (calculated at \$497.7 million as of December 31, 2017, or \$497.7 million of consolidated funded debt less \$0.0 million of cash and cash equivalents in excess of \$2.0 million as of December 31, 2017), divided by minimum consolidated EBITDA. Minimum consolidated EBITDA is based on operating results for the twelve months preceding the measurement date of December 31, 2017. Consolidated funded debt, net unencumbered cash and cash equivalents in excess of \$2.0 million, and minimum consolidated EBITDA are non-GAAP financial measures that should not be considered an alternative to any measure of financial performance calculated and presented in accordance with generally accepted accounting principles in the United States. A reconciliation of minimum consolidated EBITDA to net cash provided by operating activities is as follows (in millions):

	Twelve Months Ended December 31, 2017
Net cash provided by operating activities	\$ 107.5
Changes in assets and liabilities, net of effects of acquisitions and divestitures	4.6
Loss on sale of property and equipment	(0.1)
Loss on debt extinguishment	(0.5)
Stock based compensation, net of excess tax benefit	(6.4)
Southbridge landfill non-cash closure charge	(63.5)
Interest expense, less amortization of debt issuance costs and discount on long-term debt	22.5
Provision for income taxes, net of deferred taxes	0.3
Adjustments as allowed by the Credit Agreement	71.0
Minimum consolidated EBITDA	\$ 135.4

In addition to the financial covenants described above, the Credit Agreement also contains a number of important customary affirmative and negative covenants which restrict, among other things, our ability to sell assets, incur additional debt, create liens, make investments, and pay dividends. We do not believe that these restrictions impact our ability to meet future liquidity needs.

As of December 31, 2017, we were in compliance with the covenants contained in the Credit Agreement. An event of default under any of our debt agreements could permit some of our lenders, including the lenders under the Credit Facility, to declare all amounts borrowed from them to be immediately due and payable, together with accrued and unpaid interest, or, in the case of the Credit Facility, terminate the commitment to make further credit extensions thereunder, which could, in turn, trigger cross-defaults under other debt obligations. If we were unable to repay debt to our lenders, or were otherwise in default under any provision governing our outstanding debt obligations, our secured lenders could proceed against us and against the collateral securing that debt.

Based on the seasonality of our business, operating results in the late fall, winter and early spring months are generally lower than the remainder of our fiscal year. Given the cash flow impact that this seasonality, the capital intensive

nature of our business and the timing of debt payments has on our business, we typically incur higher debt borrowings in order to meet our liquidity needs during these times. Consequently, our availability and performance against our financial covenants tighten during these times as well.

Tax-Exempt Financings

New York Bonds. In fiscal year 2016, we completed a financing transaction involving the issuance by the New York State Environmental Facilities Corporation of \$15.0 million aggregate principal amount of New York Bonds 2016.

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As of December 31, 2017, we had outstanding \$40.0 million aggregate principal amount of Solid Waste Disposal Revenue Bonds Series 2014 ("New York Bonds 2014") and New York Bonds 2016 issued by the New York State Environmental Facilities Corporation under the indenture dated December 1, 2014 (collectively, the "New York Bonds"). The New York Bonds 2014 accrue interest at 3.75% per annum through December 1, 2019, at which time they may be converted from a fixed rate to a variable rate. The New York Bonds 2016 accrue interest at 3.125% per annum through May 31, 2026, at which time they may be converted from a fixed rate to a variable rate. The New York Bonds, which are unsecured and guaranteed jointly and severally, fully and unconditionally by all of our significant wholly-owned subsidiaries, require interest payments on June 1 and December 1 of each year and mature on December 1, 2044. We borrowed the proceeds of the New York Bonds to finance or refinance certain capital projects in the state of New York and to pay certain costs of issuance of the New York Bonds.

Maine Bonds

In fiscal year 2017, we completed the remarketing of \$3.6 million aggregate principal amount of Finance Authority of Maine Solid Waste Disposal Revenue Bonds Series 2005R-1 and \$21.4 million aggregate principal amount of Finance Authority of Maine Solid Waste Disposal Revenue Bonds Series 2005R-2 as one series of bonds known as \$25.0 million aggregate principal amount of FAME Bonds 2005R-3.

As of December 31, 2017, we had outstanding \$25.0 million aggregate principal amount of FAME Bonds 2005R-3. The FAME Bonds 2005R-3, which are unsecured and guaranteed jointly and severally, fully and unconditionally by all of our significant wholly-owned subsidiaries, accrue interest at 5.25% per annum, and interest is payable semiannually in arrears on February 1 and August 1 of each year until such bonds mature on January 1, 2025.

As of December 31, 2017, we had outstanding \$15.0 million aggregate principal amount of senior unsecured FAME Bonds 2015. The FAME Bonds 2015, which are unsecured and guaranteed jointly and severally, fully and unconditionally by all of our significant wholly-owned subsidiaries, accrue interest at 5.125% per annum through August 1, 2025, at which time they may be converted from a fixed to a variable rate. During the fixed interest rate period, the FAME Bonds 2015 will not be supported by a letter of credit. Interest is payable semiannually in arrears on February 1 and August 1 of each year. An additional \$15.0 million aggregate principal amount of FAME Bonds 2015 may be offered under the same indenture in the future. The FAME Bonds 2015 mature on August 1, 2035. We borrowed the proceeds of the offering of the FAME Bonds 2015 to finance or refinance the costs of certain of our solid waste landfill facilities and solid waste collection, organics and transfer, recycling and hauling facilities, and to pay certain costs of the issuance of the FAME Bonds 2015.

Vermont Bonds. As of December 31, 2017, we had outstanding \$16.0 million aggregate principal amount of senior unsecured Vermont Economic Development Authority Solid Waste Disposal Long-Term Revenue Bonds Series 2013 ("Vermont Bonds"). The Vermont Bonds, which are guaranteed jointly and severally, fully and unconditionally by all of our significant wholly-owned subsidiaries, accrue interest at 4.75% per annum through April 1, 2018, at which time they may be converted from a fixed rate to a variable rate or remarketed for a new fixed interest rate period. During the fixed interest rate period, the Vermont Bonds will not be supported by a letter of credit. Interest is payable semiannually in arrears on April 1 and October 1 of each year. The Vermont Bonds mature on April 1, 2036. We borrowed the proceeds of the Vermont Bonds to finance or refinance certain qualifying property, plant and equipment assets purchased in the state of Vermont.

New Hampshire Bonds. As of December 31, 2017, we had outstanding \$11.0 million aggregate principal amount of senior unsecured Solid Waste Disposal Revenue Bonds Series 2013 issued by the Business Finance Authority of the State of New Hampshire ("New Hampshire Bonds"). The New Hampshire Bonds, which are guaranteed jointly and severally, fully and unconditionally by all of our significant wholly-owned subsidiaries, accrue interest at 4.00% per annum through October 1, 2019, at which time they may be converted from a fixed rate to a variable rate. During the fixed interest rate period, the New Hampshire Bonds will not be supported by a letter of credit. Interest is payable in arrears on April 1 and October 1 of each year. The New Hampshire Bonds mature on April 1, 2029. We borrowed the proceeds of the New Hampshire Bonds to finance or refinance certain qualifying property, plant and equipment assets purchased in the state of New Hampshire.

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Contractual Obligations

The following table summarizes our significant contractual obligations and commitments as of December 31, 2017 (in thousands) and the anticipated effect of these obligations on our liquidity in future years:

	Less than one year	1 - 3 years	3 - 5 years	More than 5 years	Total
Long-term debt and capital leases	\$ 4,926	\$ 10,271	\$ 45,052	\$ 437,431	\$ 497,680
Interest obligations (1)	21,627	42,582	39,673	73,789	177,671
Non-cancellable operating leases	10,939	15,012	4,496	1,242	31,689
Landfill operating lease contracts	7,526	9,864	9,114	32,519	59,023
Capping / closure / post-closure	3,106	13,445	13,567	130,935	161,053
Total contractual cash obligations (2)	\$ 48,124	\$ 91,174	\$ 111,902	\$ 675,916	\$ 927,116

(1) Based on long-term debt and capital lease balances as of December 31, 2017. Interest obligations related to variable rate debt were calculated using variable rates in effect at December 31, 2017.

(2) Contractual cash obligations do not include accounts payable or accrued liabilities, which will be paid in the fiscal year ending December 31, 2018.

We have no contractual obligations related to unrecognized tax benefits at December 31, 2017. For a description of our commitments and contingencies, see Note 8, Final Capping, Closure and Post-Closure Costs, Note 10, Commitments and Contingencies and Note 14, Income Taxes, of our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Inflation

Although inflationary increases in costs have affected our historical operating margins, we believe that inflation generally has not had a significant impact on our operating results. Consistent with industry practice, most of our contracts provide for a pass-through of certain costs to our customers, including increases in landfill tipping fees and in some cases fuel costs, intended to mitigate the impact of inflation on our operating results. We have also implemented a number of operating efficiency programs that seek to improve productivity and reduce our service costs, and a fuel surcharge, which is designed to recover escalating fuel price fluctuations above an annually reset floor. Based on these implementations, we believe we should be able to sufficiently offset most cost increases resulting from inflation. However, competitive factors may require us to absorb at least a portion of these cost increases. Additionally, management's estimates associated with inflation have had, and will continue to have, an impact on our accounting for landfill and environmental remediation liabilities.

Regional Economic Conditions

Our business is primarily located in the northeastern United States. Therefore, our business, financial condition and results of operations are susceptible to downturns in the general economy in this geographic region and other factors affecting the region, such as state regulations and severe weather conditions. We are unable to forecast or determine the timing and/or the future impact of a sustained economic slowdown.

Critical Accounting Estimates and Assumptions

Our consolidated financial statements have been prepared in accordance with GAAP and necessarily include certain estimates and judgments made by management. On an on-going basis, management evaluates its estimates and judgments which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. The results of their evaluation form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions and circumstances. The following is a list of accounting policies that we believe are the most critical in understanding our consolidated financial position, results of operations and cash flows and that may require management to make subjective or complex judgments about matters that are inherently uncertain. Our significant accounting policies are more fully discussed in Note 3, Summary of Significant Accounting Policies of our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Landfill Accounting
Landfill Development Costs

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We estimate the total cost to develop each of our landfill sites to its remaining permitted and expansion capacity (see landfill development costs discussed within the “Property, Plant and Equipment” accounting policy more fully discussed in Note 3, Summary of Significant Accounting Policies of our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K). The projection of these landfill costs is dependent, in part, on future events. The remaining amortizable basis of each landfill includes costs to develop a site to its remaining permitted and expansion capacity and includes amounts previously expended and capitalized, net of accumulated airspace amortization, and projections of future purchase and development costs including capitalized interest. The interest capitalization rate is based on our weighted average interest rate incurred on borrowings outstanding during the period.

Under life-cycle accounting, all costs related to acquisition and construction of landfill sites are capitalized and charged to expense based on tonnage placed into each site. Landfill permitting, acquisition and preparation costs are amortized on the units-of-consumption method as landfill airspace is consumed. In determining the amortization rate for each of our landfills, preparation costs include the total estimated costs to complete construction of the landfills’ permitted and expansion capacity.

Final Capping, Closure and Post-Closure Costs

The cost estimates for final capping, closure and post-closure activities at landfills for which we have responsibility are estimated based on our interpretations of current requirements and proposed or anticipated regulatory changes. We also estimate additional costs based on the amount a third-party would charge us to perform such activities even when we expect to perform these activities internally. We estimate the airspace to be consumed related to each final capping event and the timing of construction related to each final capping event and of closure and post-closure activities.

Because landfill final capping, closure and post-closure obligations are measured at estimated fair value using present value techniques, changes in the estimated timing of construction of future landfill final capping and closure and post-closure activities would have an effect on these liabilities, related assets and results of operations.

Final capping activities include the installation of liners, drainage, compacted soil layers and topsoil over areas of a landfill where total airspace has been consumed and waste is no longer being received. Final capping activities occur throughout the life of the landfill. Our engineering personnel estimate the cost for each final capping event based on the acreage to be capped, along with the final capping materials and activities required. The estimates also consider when these costs would actually be paid and factor in inflation and discount rates. The engineers then quantify the landfill capacity associated with each final capping event and the costs for each event are amortized over that capacity as waste is received at the landfill.

Closure and post-closure costs represent future estimated costs related to monitoring and maintenance of a solid waste landfill after a landfill facility ceases to accept waste and closes. We estimate, based on input from our engineers, accountants, lawyers, managers and others, our future cost requirements for closure and post-closure monitoring and maintenance based on our interpretation of the technical standards of the Subtitle D regulations and the air emissions standards under the Clean Air Act of 1970, as amended, as they are being applied on a state-by-state basis. Closure and post-closure accruals for the cost of monitoring and maintenance include site inspection, groundwater monitoring, leachate management, methane gas control and recovery, and operation and maintenance costs to be incurred for a period which is generally for a term of 30 years after final closure of a landfill. In determining estimated future closure and post-closure costs, we consider costs associated with permitted and permissible airspace.

Remaining Permitted Airspace

Our engineers, in consultation with third-party engineering consultants and surveyors, are responsible for determining remaining permitted airspace at our landfills. The remaining permitted airspace is determined by an annual survey, which is then used to compare the existing landfill topography to the expected final landfill topography.

Expansion Airspace

We currently include unpermitted expansion airspace in our estimate of remaining permitted and expansion airspace in certain circumstances. To be considered expansion airspace all of the following criteria must be met:

- we control the land on which the expansion is sought;
- all technical siting criteria have been met or a variance has been obtained or is reasonably expected to be obtained;

- we have not identified any legal or political impediments which we believe will not be resolved in our favor;
- we are actively working on obtaining any necessary permits and we expect that all required permits will be received;
- and
- senior management has approved the project.

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For unpermitted airspace to be included in our estimate of remaining permitted and expansion airspace, the expansion effort must meet all of the criteria listed above. These criteria are evaluated annually by our engineers, accountants, lawyers, managers and others to identify potential obstacles to obtaining the permits. Once the remaining permitted and expansion airspace is determined in cubic yards, an airspace utilization factor (“AUF”) is established to calculate the remaining permitted and expansion capacity in tons. The AUF is established using a process that considers the measured density obtained from annual surveys. When we include the expansion airspace in our calculation of remaining permitted and expansion airspace, we include the projected costs for development, as well as the projected asset retirement costs related to final capping, closure and post-closure of the expansion airspace in the amortization basis of the landfill.

After determining the costs and the remaining permitted and expansion capacity at each of our landfills, we determine the per ton rates that will be expensed as waste is received and deposited at each of our landfills by dividing the costs by the corresponding number of tons. We calculate per ton amortization rates for assets associated with each final capping event, for assets related to closure and post-closure activities and for all other costs capitalized or to be capitalized in the future for each landfill. These rates per ton are updated annually, or more frequently, as significant facts change.

It is possible that actual results, including the amount of costs incurred, the timing of final capping, closure and post-closure activities, our airspace utilization or the success of our expansion efforts could ultimately turn out to be significantly different from our estimates and assumptions. To the extent that such estimates or related assumptions prove to be significantly different than actual results, lower profitability may be experienced due to higher amortization rates, higher final capping, closure or post-closure rates, or higher expenses. Higher profitability may result if the opposite occurs. Most significantly, if it is determined that the expansion capacity should no longer be considered in calculating the recoverability of the landfill asset, we may be required to recognize an asset impairment. If it is determined that the likelihood of receiving an expansion permit has become remote, the capitalized costs related to the expansion effort are expensed immediately.

Environmental Remediation Liabilities

We have recorded environmental remediation liabilities representing our estimate of the most likely outcome of the matters for which we have determined that a liability is probable. These liabilities include potentially responsible party investigations, settlements, certain legal and consultant fees, as well as costs directly associated with site investigation and clean up, such as materials and incremental internal costs directly related to the remedy. We provide for expenses associated with environmental remediation obligations when such amounts are probable and can be reasonably estimated. We estimate costs required to remediate sites where it is probable that a liability has been incurred based on site-specific facts and circumstances. Estimates of the cost for the likely remedy are developed using third-party environmental engineers or other service providers. Where we believe that both the amount of a particular environmental remediation liability and timing of payments are reliably determinable, we inflate the cost in current dollars until the expected time of payment and discount the cost to present value.

Accounts Receivable – Trade, Net of Allowance for Doubtful Accounts

Accounts receivable – trade represent receivables from customers for collection, transfer, recycling, disposal and other services. Our accounts receivable – trade are recorded when billed or when related revenue is earned, if earlier, and represent claims against third-parties that will be settled in cash. The carrying value of our accounts receivable – trade, net of allowance for doubtful accounts, represents its estimated net realizable value. Estimates are used in determining our allowance for doubtful accounts based on our historical collection experience, current trends, credit policy and a review of our accounts receivable – trade by aging category. Our reserve is evaluated and revised on a monthly basis. Past-due accounts receivable-trade are written off when deemed to be uncollectible.

Goodwill and Other Intangibles

We annually assess goodwill for impairment at the end of our fiscal year or more frequently if events or circumstances indicate that impairment may exist. We may assess whether a goodwill impairment exists using either a qualitative or a quantitative assessment. If we perform a qualitative assessment, it involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying

amount, including goodwill. If based on this qualitative assessment we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we will not perform a quantitative assessment. If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or if we elect not to perform a qualitative assessment, we perform a quantitative assessment, or two-step impairment test, to determine whether goodwill impairment exists at the reporting unit.

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In the first step (defined as “Step 1”) of testing for goodwill impairment, we estimate the fair value of each reporting unit, which we have determined to be our geographic operating segments, our Recycling segment and our Customer Solutions business, which is included in the Other segment, and compare the fair value with the carrying value of the net assets of each reporting unit. If the fair value is less than its carrying value, then we would perform a second step (defined as “Step 2”) and determine the fair value of the goodwill. In Step 2, the fair value of goodwill is determined by deducting the fair value of a reporting unit’s identifiable assets and liabilities from the fair value of the reporting unit as a whole, as if that reporting unit had just been acquired and the purchase price were being initially allocated.

To determine the fair value of each of our reporting units as a whole we use discounted cash flow analyses, which require significant assumptions and estimates about the future operations of each reporting unit. Significant judgments inherent in this analysis include the determination of appropriate discount rates, the amount and timing of expected future cash flows and growth rates. The cash flows employed in our discounted cash flow analyses are based on financial forecasts developed internally by management. Our discount rate assumptions are based on an assessment of our risk adjusted discount rate, applicable for each reporting unit. In assessing the reasonableness of our determined fair values of our reporting units, we evaluate our results against our current market capitalization

If the fair value of goodwill is less than its carrying value for a reporting unit, an impairment charge would be recorded to earnings. The loss recognized cannot exceed the carrying amount of goodwill. After a goodwill impairment loss is recognized, the adjusted carrying amount of goodwill becomes its new accounting basis.

In addition to an annual goodwill impairment assessment, we would evaluate a reporting unit for impairment if events or circumstances change between annual tests indicating a possible impairment. Examples of such events or circumstances include the following:

- a significant adverse change in legal status or in the business climate;
- an adverse action or assessment by a regulator;
- a more likely than not expectation that a segment or a significant portion thereof will be sold; or
- the testing for recoverability of a significant asset group within the segment.

We elected to perform a quantitative analysis as part of our annual goodwill impairment test for fiscal year 2017. As of December 31, 2017, the Step 1 testing for goodwill impairment performed for our Eastern, Western, Recycling and Customer Solutions reporting units indicated that the fair value of each reporting unit exceeded its carrying amount, including goodwill. Furthermore, the Step 1 test indicated that in each case the fair value of our Eastern, Western, Recycling and Customer Solutions reporting units exceeded its carrying value by in excess of 83.6%. We incurred no impairment of goodwill as a result of our annual goodwill impairment tests in fiscal years 2017, 2016 and 2015.

However, there can be no assurance that goodwill will not be impaired at any time in the future.

Intangible assets consist primarily of covenants not-to-compete and customer lists. Intangible assets are recorded at fair value and are amortized based on the economic benefit provided or using the straight-line method over their estimated useful lives. Covenants not-to-compete and customer lists are typically amortized over a term of no more than 10 years.

Recovery of Long-Lived Assets

We continually assess whether events or changes in circumstances have occurred that may warrant revision of the estimated useful lives of our long-lived assets (other than goodwill) or whether the remaining balances of those assets should be evaluated for possible impairment. Long-lived assets include, for example, capitalized landfill costs, other property and equipment, and identifiable intangible assets. Events or changes in circumstances that may indicate that an asset may be impaired include the following:

- a significant decrease in the market price of an asset or asset group;
- a significant adverse change in the extent or manner in which an asset or asset group is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate that could affect the value of an asset or asset group, including an adverse action or assessment by a regulator;
-

an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;

- a current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group;

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a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life; or
an impairment of goodwill at a reporting unit.

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

If an impairment indicator occurs, we perform a test of recoverability by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. We group our long-lived assets for this purpose at the lowest level for which identifiable cash flows are primarily independent of the cash flows of other assets or asset groups. If the carrying values are in excess of undiscounted expected future cash flows, we measure any impairment by comparing the fair value of the asset or asset group to its carrying value.

To determine fair value, we use discounted cash flow analyses and estimates about the future cash flows of the asset or asset group. This analysis includes a determination of an appropriate discount rate, the amount and timing of expected future cash flows and growth rates. The cash flows employed in our discounted cash flow analyses are typically based on financial forecasts developed internally by management. The discount rate used is commensurate with the risks involved. We may also rely on third-party valuations and or information available regarding the market value for similar assets.

If the fair value of an asset or asset group is determined to be less than the carrying amount of the asset or asset group, impairment in the amount of the difference is recorded in the period that the impairment occurs. Estimating future cash flows requires significant judgment and projections may vary from the cash flows eventually realized.

See Note 3, Summary of Significant Accounting Policies and Note 16, Divestiture Transactions to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for further disclosure.

Investments in Unconsolidated Entities

Investments in unconsolidated entities over which we have significant influence over the investees' operating and financing activities are accounted for under the equity method of accounting, as applicable. Investments in affiliates in which we do not have the ability to exert significant influence over the investees' operating and financing activities are accounted for under the cost method of accounting.

We monitor and assess the carrying value of our investments throughout the year for potential impairment and write them down to their fair value when other-than-temporary declines exist. Fair value is generally based on (i) other third-party investors' recent transactions in the securities; (ii) other information available regarding the current market for similar assets and/or (iii) a market or income approach, as deemed appropriate.

When we assess the carrying value of our investments for potential impairment, determining the fair value of our investments is reliant upon the availability of market information and/or other information provided by third-parties to be able to develop an estimate of fair value. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, our estimates are not necessarily indicative of the amounts that we, or other holders of these investments, could realize in a current market exchange. The use of different assumptions and/or estimation methodologies could have a significant effect on the estimated fair values. The current estimates of fair value could differ significantly from the amounts presented.

See Note 3, Summary of Significant Accounting Policies to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for further disclosure.

Self-Insurance Liabilities and Related Costs

We are self-insured for vehicles and workers' compensation with reinsurance coverage limiting our maximum exposure. Our maximum exposure in fiscal year 2017 under the workers' compensation plan was \$1.0 million per individual event. Our maximum exposure in fiscal year 2017 under the automobile plan was \$1.2 million per individual event. The liability for unpaid claims and associated expenses, including incurred but not reported losses, is

determined by management with the assistance of a third-party actuary and reflected in our consolidated balance sheet as an accrued liability. We use a third-party to track and evaluate actual claims experience for consistency with the data used in the annual actuarial valuation. The actuarially determined liability is calculated based on historical data, which considers both the frequency and settlement amount of claims. Our estimated accruals for these liabilities could be significantly different than our ultimate obligations if variables such as the frequency or severity of future events differ significantly from our assumptions.

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See Note 3, Summary of Significant Accounting Policies to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for further disclosure.

Income Taxes

We use estimates to determine our provision for income taxes and related assets and liabilities and any valuation allowance recorded against our net deferred tax assets. Valuation allowances have been established for the possibility that tax benefits may not be realized for certain deferred tax assets. Deferred income taxes are recognized based on the expected future tax consequences of differences between the financial statement basis and the tax basis of assets and liabilities, calculated using currently enacted tax rates. We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making this determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In the event we determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we will make an adjustment to the valuation allowance which would reduce the provision for income taxes.

We account for income tax uncertainties according to guidance on the recognition, de-recognition and measurement of potential tax benefits associated with tax positions. We recognize interest and penalties relating to income tax matters as a component of income tax expense.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was enacted. The Act, which is also commonly referred to as “U.S. tax reform,” significantly changes United States corporate income tax laws by, among other things, reducing the US corporate income tax rate from 35% to 21% starting in 2018.

See Note 14, Income Taxes to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for further disclosure, including the effect of the Act on income taxes.

Contingent Liabilities

We are subject to various legal proceedings, claims and regulatory matters, the outcomes of which are subject to significant uncertainty. We determine whether to disclose or accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable, and whether it can be reasonably estimated. We analyze our litigation and regulatory matters based on available information to assess the potential liabilities. Management’s assessment is developed based on an analysis of possible outcomes under various strategies. We accrue for loss contingencies when such amounts are probable and reasonably estimable. If a contingent liability is only reasonably possible, we will disclose the potential range of the loss, if estimable. We record losses related to contingencies in cost of operations or general and administration expenses, depending on the nature of the underlying transaction leading to the loss contingency. Contingent liabilities accounted for under purchase accounting are recorded at their fair values. These fair values may be different from the values we would have otherwise recorded, had the contingent liability not been assumed as part of an acquisition of a business.

See Note 10, Commitments and Contingencies to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for further disclosure.

Stock-Based Compensation

All share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense-in general and administration expense over the employee’s requisite service period. For purposes of calculating stock-based compensation expense, forfeitures are accounted for as they occur. Our equity awards granted generally consist of stock options, including market-based performance stock options, restricted stock, restricted stock units and performance stock units, including market-based performance stock units.

The fair value of each stock option grant is estimated using a Black-Scholes option-pricing model, with the exception of market-based performance stock option grants which are valued using a Monte Carlo option-pricing model. The fair value of restricted stock, restricted stock unit and performance stock unit grants is at a price equal to the fair market value of our Class A common stock at the date of grant. The fair value of market-based performance stock unit grants is valued using a Monte Carlo pricing model.

See Note 11, Stockholders Deficit to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for further disclosure.

Defined Benefit Pension Plan

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We currently make contributions to one qualified multiemployer defined benefit pension plan, the New England Teamsters and Trucking Industry Pension Fund ("Pension Plan"). The Pension Plan provides retirement benefits to participants based on their service to contributing employers. We do not administer this plan. The Pension Plan's benefit formula is based on credited years of service and hours worked as defined in the Pension Plan document. However, the benefits accruals of all current plan participants are frozen. Our pension contributions are made in accordance with funding standards established by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code, as amended by the Pension Protection Act of 2006. The Pension Plan's assets have been invested as determined by the Pension Plan's fiduciaries in accordance with the Pension Plan's investment policy. The Pension Plan's asset allocation is based on the Pension Plan's investment policy and is reviewed as deemed necessary. See Note 13, Employee Benefit Plans to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for further disclosure.

New Accounting Standards

For a description of the new accounting standards that may affect us, see Note 2, Accounting Changes to our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

In the normal course of business we are exposed to market risks, including changes in interest rates and certain commodity prices. We have a variety of strategies to mitigate these market risks, including at times using derivative instruments to hedge some portion of these risks.

Interest Rate Volatility

Our strategy to hedge against fluctuations in variable interest rates involves entering into interest rate derivative agreements to hedge against adverse movements in interest rates. In the quarter ended March 31, 2017, we entered into three interest rate derivative agreements to hedge interest rate risk associated with the variable rate portion of our long-term debt. The total notional amount of these agreements is \$60.0 million and requires us to receive interest based on changes in the 1-month LIBOR index with a 1.0% floor and pay interest at a weighted average rate of approximately 1.95%. Two of the agreements, with a total notional amount of \$35.0 million, mature in February 2021, and the final agreement, with a total notional amount of \$25.0 million, matures in February 2022.

We designated the three interest rate derivative agreements as effective cash flow hedges upon inception, and therefore the change in fair value is recorded in our stockholders' deficit as a component of accumulated other comprehensive income (loss) and included in interest expense at the same time as interest expense is affected by the hedged transactions. Differences paid or received over the life of the agreements are recorded as additions to or reductions of interest expense on the underlying debt.

We had interest rate risk relating to approximately \$322.5 million of long-term debt at December 31, 2017. The weighted average interest rate on the variable rate portion of long-term debt was approximately 4.1% at December 31, 2017. Should the average interest rate on the variable rate portion of long-term debt change by 100 basis points, we estimate that our annual interest expense would change by up to approximately \$3.2 million. The remainder of our long-term debt is at fixed rates and not subject to interest rate risk.

Commodity Price Volatility

Through our Recycling operation, we market a variety of materials, including fibers such as old corrugated cardboard and old newsprint, plastics, glass, ferrous and aluminum metals. We may use a number of strategies to mitigate impacts from commodity price fluctuations including: (1) charging collection customers a floating sustainability recycling adjustment fee to offset recycling commodity risks; (2) in-bound material recovery facilities ("MRF") customers receiving a revenue share or indexed materials purchases in higher commodity price markets, or charging these same customers a processing cost or tipping fee per ton in lower commodity price markets; (3) selling recycling commodities to out-bound MRF customers through floor price or fixed price agreements; or (4) entering into fixed price contracts or hedges that mitigate the variability in cash flows generated from the sales of recycled paper at floating prices. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. As of December 31, 2017, we were not party to any commodity hedging agreements.

Should commodity prices change by 10%, we estimate that our annual operating income margin would change by approximately \$0.8 million. Our sensitivity to changes in commodity prices is complex because each customer contract is unique relative to revenue sharing, tipping or processing fees and other arrangements. The above operating income impact may not be indicative of future operating results and actual results may vary materially.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors of and Stockholders of Casella Waste Systems, Inc.

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Casella Waste Systems, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, stockholders' deficit and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedules (collectively, the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board ("United States") ("PCAOB") and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a

material effect on the financial statements.

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

/s/ RSM US LLP

We have served as the Company's auditor since 2010.

Boston, Massachusetts

March 2, 2018

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (in thousands)

	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,995	\$ 2,544
Account receivables - trade, net of allowance for doubtful accounts of \$809 and \$1,069, respectively	65,953	61,196
Refundable income taxes	522	654
Prepaid expenses	8,299	7,989
Inventory	6,534	4,915
Other current assets	1,077	1,290
Total current assets	84,380	78,588
Property, plant and equipment, net of accumulated depreciation and amortization of \$811,474 and \$837,122, respectively	361,547	398,466
Goodwill	122,605	119,899
Intangible assets, net	8,149	7,696
Restricted assets	1,220	1,002
Cost method investments	12,333	12,333
Deferred income taxes	11,567	—
Other non-current assets	13,148	13,528
Total assets	\$ 614,949	\$ 631,512

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

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS (Continued)
 (in thousands, except for share and per share data)

	December 31, 2017	December 31, 2016
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital leases	\$4,926	\$4,686
Accounts payable	47,081	44,997
Accrued payroll and related expenses	12,183	12,505
Accrued interest	2,093	4,654
Current accrued capping, closure and post-closure costs	3,035	668
Other accrued liabilities	19,251	14,916
Total current liabilities	88,569	82,426
Long-term debt and capital leases, less current portion	477,576	503,961
Accrued capping, closure and post-closure costs, less current portion	59,255	43,539
Deferred income taxes	2,305	6,178
Other long-term liabilities	25,106	19,958
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT:		
Casella Waste Systems, Inc. stockholders' deficit:		
Class A commons stock, 0.01 par value per share; 100,000,000 shares authorized; 41,298,000 and 40,572,000 shares issued and outstanding, respectively	413	406
Class B common stock, \$0.01 par value per share; 1,000,000 shares authorized; 988,000 shares issued and outstanding; 10 votes per share	10	10
Additional paid-in capital	356,638	348,434
Accumulated deficit	(395,107)	(373,308)
Accumulated other comprehensive income (loss), net of tax	184	(68)
Total Casella Waste Systems, Inc. stockholders' deficit	(37,862)	(24,526)
Noncontrolling interests	—	(24)
Total stockholders' deficit	(37,862)	(24,550)
Total liabilities and stockholders' deficit	\$614,949	\$631,512
The accompanying notes are an integral part of these consolidated financial statements.		

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Fiscal Year Ended		
	December 31,		
	2017	2016	2015
Revenues	\$599,309	\$565,030	\$546,500
Operating expenses:			
Cost of operations	405,188	381,973	382,615
General and administration	79,243	75,356	72,892
Depreciation and amortization	62,102	61,856	62,704
Southbridge Landfill closure charge	65,183	—	—
Expense from divestiture, acquisition and financing costs	176	—	—
Environmental remediation charge	—	900	—
Contract settlement charge	—	—	1,940
Divestiture transactions	—	—	(5,517)
	611,892	520,085	514,634
Operating (loss) income	(12,583)	44,945	31,866
Other expense (income):			
Interest income	(273)	(290)	(330)
Interest expense	25,160	38,942	40,420
Loss on debt extinguishment	517	13,747	999
Loss on derivative instruments	—	—	227
Impairment of investments	—	—	2,099
Other income	(935)	(1,090)	(1,119)
Other expense, net	24,469	51,309	42,296
Loss before income taxes	(37,052)	(6,364)	(10,430)
(Benefit) provision for income taxes	(15,253)	494	1,351
Net loss	(21,799)	(6,858)	(11,781)
Less: Net (loss) income attributable to noncontrolling interests	—	(9)	1,188
Net loss attributable to common stockholders	\$(21,799)	\$(6,849)	\$(12,969)

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

Table of ContentsCASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

(in thousands, except for per share data)

	Fiscal Year Ended		
	December 31,		
	2017	2016	2015
Net loss attributable to common stockholders:			
Net loss attributable to common stockholders	\$(21,799)	\$(6,849)	\$(12,969)
Weighted average common shares outstanding:			
Basic and diluted	41,846	41,233	40,642
Basic and diluted earnings per share:			
Net loss per common share	\$(0.52)	\$(0.17)	\$(0.32)

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

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF
 COMPREHENSIVE LOSS
 (in thousands)

	Fiscal Year Ended		
	December 31,		
	2017	2016	2015
Net loss	\$(21,799)	\$(6,858)	\$(11,781)
Other comprehensive income (loss), net of taxes:			
Hedging activity:			
Interest rate swap settlements	(410)	—	—
Interest rate swap amounts reclassified into interest expense	421	—	—
Unrealized gain resulting from changes in fair value of derivative instruments	155	—	—
Unrealized gain (loss) resulting from changes in fair value of marketable securities	86	(75)	(51)
Other comprehensive income (loss), net of taxes	252	(75)	(51)
Comprehensive loss	(21,547)	(6,933)	(11,832)
Less: Net (loss) income attributable to noncontrolling interests	—	(9)	1,188
Comprehensive loss attributable to common stockholders	\$(21,547)	\$(6,924)	\$(13,020)

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

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF
STOCKHOLDERS' DEFICIT

	Casella Waste Systems, Inc. Stockholders' Deficit								
	Total	Class A Common Stock Shares	Class B Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
Balance, December 31, 2014	\$(12,020)	39,587	\$ 396	988	\$ 10	\$ 340,773	\$(353,490)	\$ 58	\$ 233
Net loss	(11,781)	—	—	—	—	—	(12,969)	—	1,188
Other comprehensive loss	(51)	—	—	—	—	—	—	(51)	—
Issuances of Class A common stock	486	477	5	—	—	481	—	—	—
Stock-based compensation	3,079	—	—	—	—	3,079	—	—	—
Distributions to noncontrolling interest holder	(1,495)	—	—	—	—	—	—	—	(1,495)
Other	185	—	—	—	—	185	—	—	—
Balance, December 31, 2015	\$(21,597)	40,064	\$ 401	988	\$ 10	\$ 344,518	\$(366,459)	\$ 7	\$(74)
Net loss	(6,858)	—	—	—	—	—	(6,849)	—	(9)
Other comprehensive loss	(75)	—	—	—	—	—	—	(75)	—
Issuances of Class A common stock	528	508	5	—	—	523	—	—	—
Stock-based compensation	3,393	—	—	—	—	3,393	—	—	—
Contributions from noncontrolling interest holder	59	—	—	—	—	—	—	—	59
Balance, December 31, 2016	\$(24,550)	40,572	\$ 406	988	\$ 10	\$ 348,434	\$(373,308)	\$(68)	\$(24)
Net loss	(21,799)	—	—	—	—	—	(21,799)	—	—
Other comprehensive income	252	—	—	—	—	—	—	252	—
Issuances of Class A common stock	1,779	726	7	—	—	1,772	—	—	—
Stock-based compensation	6,432	—	—	—	—	6,432	—	—	—
Other	24	—	—	—	—	—	—	—	24
Balance, December 31, 2017	\$(37,862)	41,298	\$ 413	988	\$ 10	\$ 356,638	\$(395,107)	\$ 184	\$ —

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

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended		
	December 31,		
	2017	2016	2015
Cash Flows from Operating Activities:			
Net loss	\$(21,799)	\$(6,858)	\$(11,781)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	62,102	61,856	62,704
Depletion of landfill operating lease obligations	9,646	9,295	9,428
Interest accretion on landfill and environmental remediation liabilities	4,482	3,606	3,449
Amortization of debt issuance costs and discounts on long-term debt	2,692	3,881	3,977
Stock-based compensation	6,432	3,393	3,079
Environmental remediation charge	—	900	—
Loss (gain) on sale of property and equipment	49	(574)	(131)
Southbridge Landfill non-cash closure charge	63,526	—	—
Divestiture transactions	—	—	(5,517)
Loss on debt extinguishment	517	13,747	999
Loss on derivative instruments	—	—	227
Impairment of investments	—	—	2,099
Excess tax benefit on the vesting of share based awards	—	—	(185)
Deferred income taxes	(15,525)	583	795
Changes in assets and liabilities, net of effects of acquisitions and divestitures:			
Accounts receivable	(4,664)	(1,029)	(4,419)
Accounts payable	2,084	76	(3,597)
Prepaid expenses, inventories and other assets	(1,404)	(2,256)	5,240
Accrued expenses and other liabilities	(600)	(6,186)	4,140
Net cash provided by operating activities	107,538	80,434	70,507
Cash Flows from Investing Activities:			
Acquisitions, net of cash acquired	(5,056)	(2,839)	—
Acquisition related additions to property, plant and equipment	(469)	(38)	—
Additions to property, plant and equipment	(64,393)	(54,200)	(49,995)
Payments on landfill operating lease contracts	(7,240)	(7,249)	(5,385)
Proceeds from divestiture transactions	—	—	5,335
Proceeds from sale of property and equipment	711	1,362	715
Proceeds from property insurance settlement	—	—	546
Net cash used in investing activities	(76,447)	(62,964)	(48,784)
Cash Flows from Financing Activities:			
Proceeds from long-term borrowings	185,500	604,850	355,229
Principal payments on long-term debt	(216,966)	(608,198)	(370,996)
Change in restricted cash	—	1,347	4,471
Payments of debt issuance costs	(1,452)	(8,146)	(9,025)
Payments of debt extinguishment costs	—	(7,219)	(146)
Proceeds from the exercise of share based awards	1,278	128	161
Excess tax benefit on the vesting of share based awards	—	—	185
Distribution to noncontrolling interest holders	—	—	(1,495)
Net cash used in financing activities	(31,640)	(17,238)	(21,616)

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Net (decrease) increase in cash and cash equivalents	(549) 232	107
Cash and cash equivalents, beginning of period	2,544	2,312	2,205
Cash and cash equivalents, end of period	\$1,995	\$2,544	\$2,312

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(in thousands)

	Fiscal Year Ended December 31,		
	2017	2016	2015
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period for:			
Interest	\$25,029	\$42,712	\$35,232
Income taxes, net of refunds	\$146	\$274	\$282
Supplemental Disclosures of Non-Cash Investing and Financing Activities:			
Non-current assets acquired through long-term obligations	\$3,564	\$2,299	\$3,264

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except for per share data)

1. BASIS OF PRESENTATION

Casella Waste Systems, Inc. (“Parent”), its consolidated subsidiaries and any partially owned entities over which it has a controlling financial interest (collectively, “we”, “us” or “our”), is a regional, vertically integrated solid waste services company that provides collection, transfer, disposal, landfill, landfill gas-to-energy, recycling and organics services in the northeastern United States. We market recyclable metals, aluminum, plastics, paper and corrugated cardboard, which have been processed at our recycling facilities, as well as recyclables purchased from third-parties. We manage our solid waste operations on a geographic basis through two regional operating segments, our Eastern and Western regions, each of which provides a full range of solid waste services, and our larger-scale recycling and commodity brokerage operations through our Recycling segment. Organics services, ancillary operations, major account and industrial services, discontinued operations and earnings from equity method investees, as applicable, are included in our Other segment.

The accompanying consolidated financial statements, which include the accounts of the Parent, our wholly-owned subsidiaries and any partially owned entities over which we have a controlling financial interest, have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). All significant intercompany accounts and transactions are eliminated in consolidation. Investments in entities in which we do not have a controlling financial interest are accounted for under either the equity method or the cost method of accounting, as appropriate.

2. Accounting Changes

A table providing a brief description of recent Accounting Standards Updates (“ASU”) to the Accounting Standards Codification (“ASC”) issued by the Financial Accounting Standards Board (“FASB”) deemed to have a potentially material effect on our consolidated financial statements upon adoption follows:

Accounting standards that are pending adoption at December 31, 2017

Standard	Description	Effect on the Financial Statements or Other Significant Matters
ASU 2017-12: Derivatives and Hedging (Topic 815)	Requires that an entity align its risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments expand and refine hedge accounting for both financial and commodity risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements.	The adoption of this guidance affects the designation and measurement guidance for qualifying hedging relationships and the method of presenting hedge results, including the addition of a tabular disclosure related to the effect on the income statement of fair value and cash flow hedges and no longer measuring and reporting hedge ineffectiveness. This guidance is effective January 1, 2019 with early adoption permitted.

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<p>ASU 2017-09: Compensation - Stock Compensation (Topic 718)</p>	<p>Requires that an entity should account for the effects of a modification to an award unless all of the following conditions are met: the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified; the vesting conditions of the modified award are the same as the vesting conditions immediately before the original award is modified; and the classification of modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified.</p>	<p>The adoption of this guidance could affect equity compensation expense and net income if there is a modification of an award. This guidance is effective January 1, 2018 with early adoption permitted.</p>
<p>ASU 2017-04: Intangibles - Goodwill and Other (Topic 350)</p>	<p>Requires that when an entity is performing its annual, or interim, goodwill impairment test, it should compare the fair value of the reporting unit with its carrying amount when calculating its impairment charge, noting that the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, if applicable, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when calculating its impairment charge.</p>	<p>As of December 31, 2017, we did not record a goodwill impairment charge related to our annual goodwill impairment test because at that time the fair value of each reporting unit exceeded its respective carrying value. Upon adoption, if the carrying value of any of these reporting units exceeds the fair value when we perform a goodwill impairment test, we would record an impairment charge equal to the amount by which the carrying value exceeds its fair value. This guidance is effective January 1, 2020 with early adoption permitted for interim or annual goodwill impairment tests performed after January 1, 2017.</p>
<p>ASU 2016-02, as amended through September 2017: Leases (Topic 842)</p>	<p>Requires that a lessee recognize at the commencement date: a lease liability, which is the obligation of the lessee to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.</p>	<p>We are currently assessing the provisions of this guidance and evaluating the impact the guidance will have on our consolidated financial statements and related disclosures. We are also in the process of aggregating lease documentation for review. The adoption of this ASU is expected to impact the balance sheet through the recognition of a right-of-use asset and a lease liability for all leases with terms in excess of 12 months. This guidance is effective January 1, 2019 using a modified retrospective transition approach with early adoption permitted.</p>

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<p>ASU 2016-01: Financial Instruments - Overall (Topic 825-10)</p>	<p>Requires the following: (1) equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (2) entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (3) separate presentation of financial assets and financial liabilities by measurement category and form of financial asset; and (4) the elimination of the disclosure requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost.</p>	<p>The adoption of this guidance results in a cumulative-effect adjustment to the balance sheet, the recognition of changes in fair value of certain equity investments in net income, and enhanced disclosure. This guidance is effective January 1, 2018 with a cumulative-effect adjustment, and will not have a material impact on our consolidated financial statements.</p>
<p>ASU 2014-09, as amended through November 2017: Revenue from Contracts with Customers (Topic 606)</p>	<p>The core principle of the guidance is that using a five step methodology an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires enhanced qualitative and quantitative disclosure regarding revenue recognition from customer contracts.</p>	<p>The adoption of this guidance requires using either a full retrospective approach for all periods presented or a modified retrospective approach with a cumulative effect adjustment to Retained Earnings as of the date of adoption. We adopted the guidance using the modified retrospective approach effective January 1, 2018 with no adjustment to Retained Earnings. We will record revenue when control is transferred to our customer, generally at the time that we provide services. We adopted the standard through the application of the portfolio approach.</p> <p>We selected a sample of customer contracts to assess under the guidance of the new standard that were characteristically representative of each portfolio. Upon completion of our review, we concluded that we will not have a significant change to the timing of revenue recognition. We have identified certain consideration payable to customers that will be recorded as a reduction of revenues in accordance with Topic 606. These costs are currently recorded as a component of cost of operations. Additionally, we identified certain immaterial sales commissions, which represent costs of obtaining a contract, that should be capitalized as contract acquisition costs under the guidance and amortized to general and administration expense over the expected life of the customer contract. Based on the immateriality of these sales commissions, no adjustment to Retained Earnings or the accounting of these costs was deemed necessary. In assessing</p>

the impact of adopting the guidance on disclosures, we anticipate to have additional disclosures regarding the disaggregation of revenues by business segment, the presentation and roll forward of various contract asset and liability balances, changes to our accounting policy, as well as other significant judgments and disclosures regarding performance obligations and the implementation of the amended guidance.

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3. Summary of Significant Accounting Policies

Management's Estimates and Assumptions

Preparation of our consolidated financial statements in accordance with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the accounting for and recognition and disclosure of assets, liabilities, equity, revenues and expenses. We must make these estimates and assumptions because certain information that we use is dependent on future events, cannot be calculated with a high degree of precision given the available data or simply cannot be readily calculated. In some cases, these estimates are difficult to determine, and we must exercise significant judgment. In preparing our consolidated financial statements, the estimates and assumptions that we consider to be significant and that present the greatest amount of uncertainty relate to our accounting for landfills, environmental remediation liabilities, asset impairments, accounts receivable valuation allowance, self-insurance reserves, deferred taxes and uncertain tax positions, estimates of the fair values of assets acquired and liabilities assumed in any acquisition, contingent liabilities and stock-based compensation. Each of these items is discussed in more detail elsewhere in these notes to consolidated financial statements, as applicable. Actual results may differ materially from the estimates and assumptions that we use in the preparation of our consolidated financial statements.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, restricted cash, accounts receivable-trade and derivative instruments. We maintain cash and cash equivalents and restricted cash with banks that at times exceed applicable insurance limits. We reduce our exposure to credit risk by maintaining such deposits with high quality financial institutions. Our concentration of credit risk with respect to accounts receivable-trade is limited because of the large number and diversity of customers we serve, thus reducing the credit risk associated with any one customer group. As of December 31, 2017, no single customer or customer group represented greater than 5% of total accounts receivable - trade. We manage credit risk through credit evaluations, credit limits, and monitoring procedures, but generally do not require collateral to support accounts receivable - trade. We reduce our exposure to credit risk associated with derivative instruments by entering into agreements with high quality financial institutions and by evaluating and regularly monitoring their creditworthiness.

Accounts Receivable – Trade, Net of Allowance for Doubtful Accounts

Accounts receivable – trade represent receivables from customers for collection, transfer, recycling, disposal and other services. Our accounts receivable – trade are recorded when billed or when related revenue is earned, if earlier, and represent claims against third-parties that will be settled in cash. The carrying value of our accounts receivable – trade, net of allowance for doubtful accounts, represents its estimated net realizable value. Estimates are used in determining our allowance for doubtful accounts based on our historical collection experience, current trends, credit policy and a review of our accounts receivable – trade by aging category. Our reserve is evaluated and revised on a monthly basis. Past due accounts receivable - trade are written off when deemed to be uncollectible.

Inventory

Inventory includes secondary fibers, recyclables ready for sale, and parts and supplies. Inventory is stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost, less accumulated depreciation and amortization. We provide for depreciation and amortization using the straight-line method by charges to operations in amounts that allocate the cost of the assets over their estimated useful lives as follows:

Asset Classification	Estimated Useful Life
Buildings and improvements	10-30 years
Machinery and equipment	5-10 years

Rolling stock 5-10 years

Containers 5-12 years

Furniture and Fixtures 3-8 years

The cost of maintenance and repairs is charged to operations as incurred.

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Landfill development costs are included in property, plant and equipment. Landfill development costs include costs to develop each of our landfill sites, including such costs related to landfill liner material and installation, excavation for airspace, landfill leachate collection systems, landfill gas collection systems, environmental monitoring equipment for groundwater and landfill gas, directly related engineering, capitalized interest, on-site road construction, and other capital infrastructure. Additionally, landfill development costs include all land purchases within the landfill footprint and the purchase of any required landfill buffer property. Under life-cycle accounting, these costs are capitalized and charged to expense based on tonnage placed into each site.

See the “Landfill Accounting” accounting policy below for disclosure over the amortization of landfill development costs and Note 6, Property, Plant and Equipment for disclosure over property, plant and equipment.

Landfill Accounting

Life Cycle Accounting

Under life-cycle accounting, all costs related to acquisition and construction of landfill sites are capitalized and charged to expense based on tonnage placed into each site. Landfill permitting, acquisition and preparation costs are amortized on the units-of-consumption method as landfill airspace is consumed. In determining the amortization rate for each of our landfills, preparation costs include the total estimated costs to complete construction of the landfills’ permitted and expansion capacity.

Landfill Development Costs

We estimate the total cost to develop each of our landfill sites to its remaining permitted and expansion capacity (see landfill development costs discussed within the “Property, Plant and Equipment” accounting policy above). The projection of these landfill costs is dependent, in part, on future events. The remaining amortizable basis of each landfill includes costs to develop a site to its remaining permitted and expansion capacity and includes amounts previously expended and capitalized, net of accumulated airspace amortization, and projections of future purchase and development costs including capitalized interest. The interest capitalization rate is based on our weighted average interest rate incurred on borrowings outstanding during the period. Interest capitalized during the fiscal years ended December 31, 2017 (“fiscal year 2017”), December 31, 2016 (“fiscal year 2016”) and December 31, 2015 (“fiscal year 2015”) was \$295, \$273 and \$62, respectively.

Landfill Airspace

We apply the following guidelines in determining a landfill’s remaining permitted and expansion airspace:

Remaining Permitted Airspace. Our engineers, in consultation with third-party engineering consultants and surveyors, are responsible for determining remaining permitted airspace at our landfills. The remaining permitted airspace is determined by an annual survey, which is then used to compare the existing landfill topography to the expected final landfill topography.

Expansion Airspace. We currently include unpermitted expansion airspace in our estimate of remaining permitted and expansion airspace in certain circumstances. To be considered expansion airspace all of the following criteria must be met:

- we control the land on which the expansion is sought;
- all technical siting criteria have been met or a variance has been obtained or is reasonably expected to be obtained;
- we have not identified any legal or political impediments which we believe will not be resolved in our favor;
- we are actively working on obtaining any necessary permits and we expect that all required permits will be received; and
- senior management has approved the project.

For unpermitted airspace to be included in our estimate of remaining permitted and expansion airspace, the expansion effort must meet all of the criteria listed above. These criteria are evaluated annually by our engineers, accountants, lawyers, managers and others to identify potential obstacles to obtaining the permits. Once the remaining permitted and expansion airspace is determined in cubic yards, an airspace utilization factor (“AUF”) is established to calculate the remaining permitted and expansion capacity in tons. The AUF is established using a process that considers the measured density obtained from annual surveys. When we include the expansion airspace in our calculation of

remaining permitted and expansion airspace, we include the projected costs for development, as well as the projected asset retirement costs related to final capping, closure and post-closure of the expansion airspace in the amortization basis of the landfill.

After determining the costs and the remaining permitted and expansion capacity at each of our landfills, we determine the per ton rates that will be expensed as waste is received and deposited at each of our landfills by dividing the costs by the corresponding number of tons. We calculate per ton amortization rates for assets associated with each final capping event, for assets related to closure and post-closure activities and for all other costs capitalized or to be capitalized in the future for each landfill. These rates per ton are updated annually, or more frequently, as significant facts change.

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It is possible that actual results, including the amount of costs incurred, the timing of final capping, closure and post-closure activities, our airspace utilization or the success of our expansion efforts, could ultimately turn out to be significantly different from our estimates and assumptions. To the extent that such estimates or related assumptions prove to be significantly different than actual results, lower profitability may be experienced due to higher amortization rates, higher final capping, closure or post-closure rates, or higher expenses. Higher profitability may result if the opposite occurs. Most significantly, if it is determined that the expansion capacity should no longer be considered in calculating the recoverability of the landfill asset, we may be required to recognize an asset impairment. If it is determined that the likelihood of receiving an expansion permit has become remote, the capitalized costs related to the expansion effort are expensed immediately.

Final Capping, Closure and Post-Closure Costs

The following is a description of our landfill asset retirement activities and related accounting:

Final Capping Costs. Final capping activities include the installation of liners, drainage, compacted soil layers and topsoil over areas of a landfill where total airspace has been consumed and waste is no longer being received. Final capping activities occur throughout the life of the landfill. Our engineering personnel estimate the cost for each final capping event based on the acreage to be capped, along with the final capping materials and activities required. The estimates also consider when these costs would actually be paid and factor in inflation and discount rates. The engineers then quantify the landfill capacity associated with each final capping event and the costs for each event are amortized over that capacity as waste is received at the landfill.

Closure and Post-Closure Costs. Closure and post-closure costs represent future estimated costs related to monitoring and maintenance of a solid waste landfill after a landfill facility ceases to accept waste and closes. We estimate, based on input from our engineers, accountants, lawyers, managers and others, our future cost requirements for closure and post-closure monitoring and maintenance based on our interpretation of the technical standards of the Subtitle D regulations and the air emissions standards under the Clean Air Act of 1970, as amended, as they are being applied on a state-by-state basis. Closure and post-closure accruals for the cost of monitoring and maintenance include site inspection, groundwater monitoring, leachate management, methane gas control and recovery, and operation and maintenance costs to be incurred for a period which is generally for a term of 30 years after final closure of a landfill. In determining estimated future closure and post-closure costs, we consider costs associated with permitted and permissible airspace.

Our estimated future final capping, closure and post-closure costs, based on our interpretation of current requirements and proposed regulatory changes, are intended to approximate fair value. Absent quoted market prices, our cost estimates are based on historical experience, professional engineering judgment and quoted or actual prices paid for similar work. Our estimate of costs to discharge final capping, closure and post-closure asset retirement obligations for landfills are developed in today's dollars. These costs are then inflated to the period of performance using an estimate of inflation, which is updated annually (1.7% as of December 31, 2017). Final capping, closure and post-closure liabilities are discounted using the credit adjusted risk-free rate in effect at the time the obligation is incurred. The weighted average rate applicable to our asset retirement obligations as of December 31, 2017 is between approximately 9.2% and 9.9%, the range of the credit adjusted risk free rates effective since the adoption of guidance associated with asset retirement obligations in the fiscal year ended April 30, 2004. Accretion expense is necessary to increase the accrued final capping, closure and post-closure liabilities to the future anticipated obligation. To accomplish this, we accrete our final capping, closure and post-closure accrual balances using the same credit-adjusted risk-free rate that was used to calculate the recorded liability. Accretion expense on recorded landfill liabilities is recorded to cost of operations from the time the liability is recognized until the costs are paid. Accretion expense on recorded landfill liabilities amounted to \$4,401, \$3,606 and \$3,370 in fiscal years 2017, 2016 and 2015, respectively. We provide for the accrual and amortization of estimated future obligations for closure and post-closure based on tonnage placed into each site. With regards to final capping, the liability is recognized and the costs are amortized based on the airspace related to the specific final capping event.

See Note 8, Final Capping, Closure and Post-Closure Costs for disclosure over asset retirement obligations related to final capping, closure and post-closure costs.

We operate in states which require a certain portion of landfill final capping, closure and post-closure obligations to be secured by financial assurance, which may take the form of surety bonds, letters of credit and restricted cash and investments. Surety bonds securing closure and post-closure obligations at December 31, 2017 and December 31, 2016 totaled \$164,893 and \$161,095, respectively. Letters of credit securing closure and post-closure obligations as of December 31, 2017 and December 31, 2016 totaled \$0 and \$0, respectively. See Note 5, Restricted Cash / Restricted Assets for disclosure over restricted cash securing closure and post-closure obligations.

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Landfill Operating Lease Contracts

We are party to five landfill operation and management agreements. These agreements are long-term landfill operating contracts with government bodies whereby we receive tipping revenue, pay normal operating expenses and assume future final capping, closure and post-closure liabilities. The government body retains ownership of the landfill. There is no bargain purchase option and title to the property does not pass to us at the end of the lease term. We allocate the consideration paid to the landfill airspace rights and underlying land lease based on the relative fair values.

In addition to up-front or one-time payments, the landfill operating agreements may require us to make future minimum rental payments, including success/expansion fees, other direct costs and final capping, closure and post-closure costs. The value of all future minimum rental payments is amortized and charged to cost of operations over the life of the contract. We amortize the consideration allocated to airspace rights as airspace is utilized on a units-of-consumption basis and such amortization is charged to cost of operations as airspace is consumed (e.g., as tons are placed into the landfill). The underlying value of any land lease is amortized to cost of operations on a straight-line basis over the estimated life of the operating agreement. See Note 6, Property, Plant and Equipment for disclosure over depletion of landfill operating lease contracts.

Leases

We lease property and equipment in the ordinary course of our business. Our most significant lease obligations are for property and equipment specific to our industry. Our leases have varying terms. Some may include renewal or purchase options, escalation clauses, restrictions, lease concessions, capital project funding, penalties or other obligations that we consider in determining minimum rental payments. Leases are classified as either operating leases or capital leases, as appropriate.

Operating Leases. Many of our leases are operating leases. This classification generally can be attributed to either (i) relatively low fixed minimum rental payments or (2) minimum lease terms that are much shorter than the assets' economic useful lives. We expect that, in the normal course of business, our operating leases will be replaced by other leases, or replaced with fixed asset expenditures.

See Note 10, Commitments and Contingencies for disclosure over future minimum lease payments related to our operating leases.

Capital Leases. We capitalize assets acquired under capital leases at the inception of each lease and amortize them to depreciation expense over the lesser of the useful life of the asset or the lease term, as appropriate. The present value of the related lease payments is recorded as a debt obligation.

See Note 9, Long-Term Debt and Capital Leases for disclosure over our future maturities of debt, which includes capital lease payments.

Goodwill and Intangible Assets

Goodwill. Goodwill is the excess of our purchase cost over the fair value of the net assets of acquired businesses. We do not amortize goodwill, but as discussed in the "Asset Impairments" accounting policy below, we assess our goodwill for impairment at least annually.

See Note 7, Goodwill and Intangible Assets for disclosure over goodwill.

Intangible Assets. Intangible assets consist primarily of covenants not-to-compete and customer lists. Intangible assets are recorded at fair value and are amortized based on the economic benefit provided or using the straight-line method over their estimated useful lives. Covenants not-to-compete and customer lists are typically amortized over a term of no more than 10 years.

See Note 7, Goodwill and Intangible Assets for disclosure over intangible assets.

Investments in Unconsolidated Entities

Investments in unconsolidated entities over which we have significant influence over the investees' operating and financing activities are accounted for under the equity method of accounting. Investments in affiliates in which we do not have the ability to exert significant influence over the investees' operating and financing activities are accounted for under the cost method of accounting. As of December 31, 2017 and December 31, 2016, we had no investments accounted for under the equity method of accounting.

We monitor and assess the carrying value of our investments throughout the year for potential impairment and write them down to their fair value when other-than-temporary declines exist. Fair value is generally based on (i) other third-party investors' recent transactions in the securities; (ii) other information available regarding the current market for similar assets and/or (iii) a market or income approach, as deemed appropriate.

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When we assess the carrying value of our investments for potential impairment, determining the fair value of our investments is reliant upon the availability of market information and/or other information provided by third-parties to be able to develop an estimate of fair value. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, our estimates are not necessarily indicative of the amounts that we, or other holders of these investments, could realize in a current market exchange. The use of different assumptions and/or estimation methodologies could have a significant effect on the estimated fair values. The estimates of fair value could differ significantly from the amounts presented. See “Asset Impairments” accounting policy below.

Fair Value of Financial Instruments

Our financial instruments may include cash and cash equivalents, accounts receivable-trade, restricted cash and investments held in trust on deposit with various banks as collateral for our obligations relative to our landfill final capping, closure and post-closure costs and restricted cash reserved to finance certain capital projects, interest rate derivatives, trade payables and long-term debt. Accounting standards include disclosure requirements around fair values used for certain financial instruments and establish a fair value hierarchy. The three-tier hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; and Level 3, defined as unobservable inputs that are not corroborated by market data.

See Note 9, Long-Term Debt and Capital Leases and Note 12, Fair Value of Financial Instruments for fair value disclosure over long-term debt and financial instruments, respectively. See the “Derivatives and Hedging” accounting policy below for the fair value disclosure over interest rate derivatives.

Business Combinations

We acquire businesses in the waste industry, including non-hazardous waste collection, transfer station, recycling and disposal operations, as part of our growth strategy. Businesses are included in the consolidated financial statements from the date of acquisition.

We recognize, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition-date fair values. We measure and recognize goodwill as of the acquisition date as the excess of: (a) the aggregate of the fair value of consideration transferred, the fair value of any noncontrolling interest in the acquiree (if any) and the acquisition date fair value of our previously held equity interest in the acquiree (if any), over (b) the fair value of net assets acquired and liabilities assumed. If information about facts and circumstances existing as of the acquisition date is incomplete by the end of the reporting period in which a business combination occurs, we will report provisional amounts for the items for which the accounting is incomplete. The measurement period ends once we receive the information we were seeking; however, this period will not extend beyond one year from the acquisition date. Any material adjustments recognized during the measurement period will be recognized retrospectively in the consolidated financial statements of the current period. All acquisition related transaction and restructuring costs are to be expensed as incurred.

See Note 4, Business Combinations for disclosure over business acquisitions.

Environmental Remediation Liabilities

We have recorded environmental remediation liabilities representing our estimate of the most likely outcome of the matters for which we have determined that a liability is probable. These liabilities include potentially responsible party investigations, settlements, certain legal and consultant fees, as well as costs directly associated with site investigation and clean up, such as materials and incremental internal costs directly related to the remedy. We provide for expenses associated with environmental remediation obligations when such amounts are probable and can be reasonably estimated. We estimate costs required to remediate sites where it is probable that a liability has been incurred based on site-specific facts and circumstances. Estimates of the cost for the likely remedy are developed using third-party environmental engineers or other service providers. Where we believe that both the amount of a particular environmental remediation liability and timing of payments are reliably determinable, we inflate the cost in current dollars until the expected time of payment and discount the cost to present value.

See Note 10, Commitments and Contingencies for disclosure over environmental remediation liabilities.

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Self-Insurance Liabilities and Related Costs

We are self-insured for vehicles and workers' compensation with reinsurance coverage limiting our maximum exposure. Our maximum exposure in fiscal year 2017 under the workers' compensation plan was \$1,000 per individual event. Our maximum exposure in fiscal year 2017 under the automobile plan was \$1,200 per individual event. The liability for unpaid claims and associated expenses, including incurred but not reported losses, is determined by management with the assistance of a third-party actuary and reflected in our consolidated balance sheet as an accrued liability. We use a third-party to track and evaluate actual claims experience for consistency with the data used in the annual actuarial valuation. The actuarially determined liability is calculated based on historical data, which considers both the frequency and settlement amount of claims. Our self-insurance reserves totaled \$14,480 and \$13,707 as of December 31, 2017 and December 31, 2016, respectively. Our estimated accruals for these liabilities could be significantly different than our ultimate obligations if variables such as the frequency or severity of future events differ significantly from our assumptions.

Income Taxes

We use estimates to determine our provision for income taxes and related assets and liabilities and any valuation allowance recorded against our net deferred tax assets. Valuation allowances have been established for the possibility that tax benefits may not be realized for certain deferred tax assets. Deferred income taxes are recognized based on the expected future tax consequences of differences between the financial statement basis and the tax basis of assets and liabilities, calculated using currently enacted tax rates. We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making this determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In the event we determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we will make an adjustment to the valuation allowance which would reduce the provision for income taxes.

We account for income tax uncertainties according to guidance on the recognition, de-recognition and measurement of potential tax benefits associated with tax positions. We recognize interest and penalties relating to income tax matters as a component of income tax expense.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted. The Act, which is also commonly referred to as "U.S. tax reform," significantly changes United States corporate income tax laws by, among other things, reducing the US corporate income tax rate from 35% to 21% starting in 2018.

See Note 14, Income Taxes for disclosure related to income taxes, including the effect of the Act on income taxes.

Derivatives and Hedging

We account for derivatives and hedging activities in accordance with derivatives and hedging accounting guidance that establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The guidance also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Our objective for utilizing derivative instruments is to reduce our exposure to fluctuations in cash flows due to changes in the commodity prices of recycled paper and adverse movements in interest rates.

Our strategy to hedge against fluctuations in the commodity prices of recycled paper is to enter into hedges to mitigate the variability in cash flows generated from the sales of recycled paper at floating prices, resulting in a fixed price being received from these sales. We evaluate the hedges and ensure that these instruments qualify for hedge accounting pursuant to derivative and hedging guidance. Designated as effective cash flow hedges, the change in the fair value of these derivatives is recorded in our stockholders' deficit as a component of accumulated other comprehensive income (loss) until the hedged item is settled and recognized as part of commodity revenue.