

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2021
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
(State or other jurisdiction of
incorporation or organization)

03-0338873
(I.R.S. Employer
Identification No.)

25 Greens Hill Lane,
Rutland, Vermont
(Address of principal executive offices)

05701
(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	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.01 par value per share	CWST	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 number of shares outstanding of each of the registrant's classes of common stock, as of April 15, 2021:

Class A common stock, \$0.01 par value per share:	50,375,132
Class B common stock, \$0.01 par value per share:	988,200

PART I.

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2021 (Unaudited)	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 152,555	\$ 154,342
Accounts receivable, net of allowance for credit losses of \$2,095 and \$2,333, respectively	66,326	74,198
Refundable income taxes	336	229
Prepaid expenses	10,906	9,289
Inventory	7,974	7,868
Other current assets	1,409	1,328
Total current assets	239,506	247,254
Property, plant and equipment, net of accumulated depreciation and amortization of \$916,529 and \$900,882, respectively	523,316	510,512
Operating lease right-of-use assets	92,537	95,310
Goodwill	196,316	194,901
Intangible assets, net	57,581	58,324
Restricted assets	1,871	1,848
Cost method investments	11,264	11,264
Deferred income taxes	57,731	61,163
Other non-current assets	14,124	13,322
Total assets	\$ 1,194,246	\$ 1,193,898

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

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

	March 31, 2021 (Unaudited)	December 31, 2020
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of debt	\$ 10,918	\$ 9,240
Current operating lease liabilities	7,122	8,547
Accounts payable	50,547	49,198
Accrued payroll and related expenses	8,349	17,282
Accrued interest	2,002	2,126
Contract liabilities	3,082	2,685
Current accrued capping, closure and post-closure costs	11,331	10,268
Other accrued liabilities	29,724	31,862
Total current liabilities	123,075	131,208
Debt, less current portion	531,105	530,411
Operating lease liabilities, less current portion	60,854	60,979
Accrued capping, closure and post-closure costs, less current portion	73,694	72,265
Deferred income taxes	922	912
Other long-term liabilities	31,260	35,981
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Class A common stock, 0.01 par value per share; 100,000,000 shares authorized; 50,374,000 and 50,101,000 shares issued and outstanding, respectively	504	501
Class B common stock, 0.01 par value per share; 1,000,000 shares authorized; 988,000 shares issued and outstanding, respectively; 10 votes per share	10	10
Additional paid-in capital	642,297	639,247
Accumulated deficit	(261,788)	(266,099)
Accumulated other comprehensive loss, net of tax	(7,687)	(11,517)
Total stockholders' equity	373,336	362,142
Total liabilities and stockholders' equity	\$ 1,194,246	\$ 1,193,898

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except for per share data)

	Three Months Ended March 31,	
	2021	2020
Revenues	\$ 189,532	\$ 182,910
Operating expenses:		
Cost of operations	127,139	128,518
General and administration	27,131	24,352
Depreciation and amortization	22,682	21,406
Expense from acquisition activities	414	1,009
Southbridge Landfill closure charge	157	613
	<u>177,523</u>	<u>175,898</u>
Operating income	<u>12,009</u>	<u>7,012</u>
Other expense (income):		
Interest income	(64)	(51)
Interest expense	5,468	5,952
Other (income) expense	(138)	43
Other expense, net	<u>5,266</u>	<u>5,944</u>
Income before income taxes	<u>6,743</u>	<u>1,068</u>
Provision for income taxes	2,432	109
Net income	<u>\$ 4,311</u>	<u>\$ 959</u>
Basic earnings per share attributable to common stockholders:		
Weighted average common shares outstanding	<u>51,179</u>	<u>48,005</u>
Basic earnings per common share	<u>\$ 0.08</u>	<u>\$ 0.02</u>
Diluted earnings per share attributable to common stockholders:		
Weighted average common shares outstanding	<u>51,387</u>	<u>48,262</u>
Diluted earnings per common share	<u>\$ 0.08</u>	<u>\$ 0.02</u>

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

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

	Three Months Ended March 31,	
	2021	2020
Net income	\$ 4,311	\$ 959
Other comprehensive income (loss), before tax:		
Hedging activity:		
Interest rate swap settlements	(1,160)	(411)
Interest rate swap amounts reclassified into interest expense	1,145	367
Unrealized gain (loss) resulting from changes in fair value of derivative instruments	4,987	(7,257)
Other comprehensive income (loss), before tax	4,972	(7,301)
Income tax provision (benefit) related to items of other comprehensive income (loss)	1,142	(112)
Other comprehensive income (loss), net of tax	3,830	(7,189)
Comprehensive income (loss)	\$ 8,141	\$ (6,230)

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands)

	Total	Class A Common Stock		Class B Common Stock		Additional Paid- In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss
		Shares	Amount	Shares	Amount			
Balance, December 31, 2020	\$ 362,142	50,101	\$ 501	988	\$ 10	\$ 639,247	\$ (266,099)	\$ (11,517)
Issuances of Class A common stock	112	273	3	—	—	109	—	—
Stock-based compensation	2,941	—	—	—	—	2,941	—	—
Comprehensive income:								
Net income	4,311	—	—	—	—	—	4,311	—
Other comprehensive income:								
Hedging activity	3,830	—	—	—	—	—	—	3,830
Balance, March 31, 2021	<u>\$ 373,336</u>	<u>50,374</u>	<u>\$ 504</u>	<u>988</u>	<u>\$ 10</u>	<u>\$ 642,297</u>	<u>\$ (261,788)</u>	<u>\$ (7,687)</u>

	Total	Class A Common Stock		Class B Common Stock		Additional Paid- In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss
		Shares	Amount	Shares	Amount			
Balance, December 31, 2019	\$ 122,753	46,803	\$ 468	988	\$ 10	\$ 485,332	\$ (357,016)	\$ (6,041)
Cumulative effect of new accounting principle	(189)	—	—	—	—	—	(189)	—
Issuances of Class A common stock	100	517	5	—	—	95	—	—
Stock-based compensation	1,562	—	—	—	—	1,562	—	—
Comprehensive loss:								
Net income	959	—	—	—	—	—	959	—
Other comprehensive loss:								
Hedging activity	(7,189)	—	—	—	—	—	—	(7,189)
Balance, March 31, 2020	<u>\$ 117,996</u>	<u>47,320</u>	<u>\$ 473</u>	<u>988</u>	<u>\$ 10</u>	<u>\$ 486,989</u>	<u>\$ (356,246)</u>	<u>\$ (13,230)</u>

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

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

	Three Months Ended	
	March 31,	
	2021	2020
Cash Flows from Operating Activities:		
Net income	\$ 4,311	\$ 959
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,682	21,406
Depletion of landfill operating lease obligations	1,604	1,673
Interest accretion on landfill and environmental remediation liabilities	1,957	1,794
Amortization of debt issuance costs	572	527
Stock-based compensation	2,941	1,562
Operating lease right-of-use assets expense	1,411	2,417
(Gain) loss on sale of property and equipment	(24)	137
Southbridge Landfill non-cash closure charge	(7)	51
Non-cash expense from acquisition activities	146	532
Deferred income taxes	2,300	967
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts receivable	7,872	6,507
Landfill operating lease contract expenditures	(160)	(50)
Accounts payable	1,349	(10,588)
Prepaid expenses, inventories and other assets	(2,077)	(171)
Accrued expenses, contract liabilities and other liabilities	(12,730)	(12,932)
Net cash provided by operating activities	<u>32,147</u>	<u>14,791</u>
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	(4,568)	(5,144)
Additions to property, plant and equipment	(26,832)	(19,851)
Proceeds from sale of property and equipment	123	51
Net cash used in investing activities	<u>(31,277)</u>	<u>(24,944)</u>
Cash Flows from Financing Activities:		
Proceeds from debt borrowings	—	73,500
Principal payments on debt	(2,769)	(40,686)
Payments of debt issuance costs	—	(11)
Proceeds from the exercise of share based awards	112	100
Net cash (used in) provided by financing activities	<u>(2,657)</u>	<u>32,903</u>
Net (decrease) increase in cash and cash equivalents	(1,787)	22,750
Cash and cash equivalents, beginning of period	154,342	3,471
Cash and cash equivalents, end of period	<u>\$ 152,555</u>	<u>\$ 26,221</u>
Supplemental Disclosure of Cash Flow Information:		
Cash interest payments	\$ 5,020	\$ 5,372
Cash income tax payments	\$ 238	\$ 84
Non-current assets obtained through long-term financing obligations	\$ 4,569	\$ 6,469
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 512	\$ 2,366

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except for per share data)

1. BASIS OF PRESENTATION

Casella Waste Systems, Inc. ("Parent"), and its subsidiaries (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 or purchased from third-parties. We manage our solid waste operations on a geographic basis through two regional operating segments, the Eastern and Western regions, each of which provides a full range of solid waste services. We manage our resource-renewal operations through the Resource Solutions operating segment, which includes our larger-scale recycling and commodity brokerage operations along with our organics services and large scale commercial and industrial services. Legal, tax, information technology, human resources, certain finance and accounting and other administrative functions are included in our Corporate Entities segment.

The accompanying unaudited consolidated financial statements, which include the accounts of the Parent and our wholly-owned subsidiaries, 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. Our significant accounting policies are more fully discussed in Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 ("fiscal year 2020"), which was filed with the SEC on February 19, 2021.

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 the opinion of management, these consolidated financial statements include all adjustments, which include normal recurring and nonrecurring adjustments, necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. The results for the three months ended March 31, 2021 may not be indicative of the results for any other interim period or the entire fiscal year. The consolidated financial statements presented herein should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for fiscal year 2020.

Recent Events

The global outbreak of the novel coronavirus ("COVID-19") pandemic has caused, and is expected to continue to cause, economic disruption across our geographic footprint and has adversely affected, and is expected to continue to adversely affect, our business. The COVID-19 pandemic negatively impacted our revenues starting at the end of the three months ended March 31, 2020, as many small business and construction collection customers required service level changes and volumes into our landfills declined due to lower economic activity. Although demand for services has improved as local economies begin to reopen as allowed by State Governments, our collection and disposal operations continued to be negatively impacted by lower volumes attributable to the COVID-19 pandemic in the three months ended March 31, 2021.

The COVID-19 pandemic has negatively impacted and is expected to continue to impact our business in other ways, as we have experienced and continue to experience increased costs as a result of the COVID-19 pandemic, including, but not limited to, higher costs associated with providing a safe working environment for our employees (such as increased costs associated with the protection of our employees, including costs for additional safety equipment, hygiene products and enhanced facility cleaning), employee impacts from illness, supporting a remote administrative workforce, community response measures, the inability of customers to continue to pay for services, and temporary facility closures of our customers. We have taken measures to reduce costs in other areas and preserve liquidity during this period of uncertainty. As of the date of this filing, we are unable to determine or predict the full extent of the continuing impact that the COVID-19 pandemic will have on our business, results of operations, liquidity and capital resources. Future developments, such as the possibility of continuing spread of COVID-19 across our geographic footprint, the rate of vaccinations, the severity and containment of certain COVID-19 variants along with the pace and extent to which the States in which we operate facilitate a return to normal economic and operation conditions are uncertain and cannot be predicted at this time.

Subsequent Events

We have evaluated subsequent events or transactions that have occurred after the consolidated balance sheet date of March 31, 2021 through the date of filing of the consolidated financial statements with the SEC on this Quarterly Report on Form 10-Q. We have determined that there are no subsequent events that require disclosure in this Quarterly Report on Form 10-Q.

2. ACCOUNTING CHANGES

A table providing a brief description of recent Accounting Standards Updates ("ASUs") to the Accounting Standards Codification ("ASC") issued by the Financial Accounting Standards Board ("FASB") that we adopted and deemed to have a material impact on our consolidated financial statements, or a possible material impact in the future, based on current account balances and activity follows:

Standard	Description	Effect on the Financial Statements or Other Significant Matters
<i>Accounting standards adopted effective January 1, 2021</i>		
ASU No. 2019-12: Income Taxes (Topic 740)	Reduces the complexity over accounting for income taxes by removing certain exceptions and amending guidance to improve consistent application of accounting over income taxes.	This guidance did not have a material impact on our consolidated financial statements and related disclosures upon adoption, but may in the future. This guidance was effective January 1, 2021.

A table providing a brief description of recent ASUs to the ASC issued by the FASB that are pending adoption and deemed to have a possible material impact on our consolidated financial statements based on current account balances and activity follows:

Standard	Description	Effect on the Financial Statements or Other Significant Matters
<i>Accounting standards issued pending adoption</i>		
ASU No. 2020-04: Reference Rate Reform (Topic 848), as amended through January 2021	Provides temporary optional guidance to ease the potential burden in applying GAAP to contract modifications and hedging relationships that reference London Inter-Bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued, subject to meeting certain criteria.	We currently have interest rate derivative agreements with hedging relationships that reference LIBOR which extend past the fiscal year ended December 31, 2021. We are currently assessing the provisions of this guidance as LIBOR is still in place and do not expect that its adoption will have a material impact on our consolidated financial statements and related disclosures. This guidance will be in effect from March 12, 2020 through December 31, 2022.

3. REVENUE RECOGNITION

Revenues associated with our solid waste operations are derived mainly from solid waste collection and disposal, landfill, landfill gas-to-energy, processing, transfer and recycling services in the northeastern United States. Effective January 1, 2021, we reorganized the Resource Solutions operating segment, which includes our larger-scale recycling and commodity brokerage operations along with our organics services and large scale commercial and industrial services, from our historical lines-of-service of recycling, organics and customer solutions into two lines-of-service: processing and non-processing.

Processing services consist of the receipt of recycled, sludge or other organic materials at one of our materials recovery, processing or disposal facilities, where it is then sorted, mixed and/or processed, and then disposed of or sold. Revenues from processing services are derived from municipalities and customers in the form of processing fees, tipping fees, commodity sales, and organic material sales.

Revenues from non-processing services are derived from brokerage services; overall resource management services providing a wide range of environmental services and zero waste solutions to large and complex organizations; and traditional collection, disposal and recycling services provided to large account multi-site customers. In brokerage arrangements, we act as an agent that facilitates the sale of recyclable materials between an inbound customer and an outbound customer. Revenues from the brokerage of recycled materials are recognized on a net basis at the time of shipment. In general, these fees are variable in nature.

Classification of revenues by service line reported in the three months ended March 31, 2020 has been reclassified to conform with the presentation for the three months ended March 31, 2021.

A table of revenues disaggregated by service line and timing of revenue recognition by operating segment for each of the three months ended March 31, 2021 and 2020 follows:

Three Months Ended March 31, 2021

	Eastern	Western	Resource Solutions	Total Revenues
Collection	\$ 36,076	\$ 61,393	\$ —	\$ 97,469
Landfill	5,403	13,619	—	19,022
Transfer	9,424	7,146	—	16,570
Transportation	48	2,213	—	2,261
Landfill gas-to-energy	268	1,035	—	1,303
Processing	1,126	358	17,272	18,756
Non-processing	—	—	34,151	34,151
Total revenues	<u>\$ 52,345</u>	<u>\$ 85,764</u>	<u>\$ 51,423</u>	<u>\$ 189,532</u>
Transferred at a point-in-time	\$ 44	\$ 501	\$ 10,092	\$ 10,637
Transferred over time	52,301	85,263	41,331	178,895
Total revenues	<u>\$ 52,345</u>	<u>\$ 85,764</u>	<u>\$ 51,423</u>	<u>\$ 189,532</u>

Three Months Ended March 31, 2020

	Eastern	Western	Resource Solutions	Total Revenues
Collection	\$ 35,938	\$ 58,623	\$ —	\$ 94,561
Landfill	3,544	16,310	—	19,854
Transfer	9,383	6,670	—	16,053
Transportation	47	2,671	—	2,718
Landfill gas-to-energy	385	641	—	1,026
Processing	846	291	13,818	14,955
Non-processing	—	—	33,743	33,743
Total revenues	<u>\$ 50,143</u>	<u>\$ 85,206</u>	<u>\$ 47,561</u>	<u>\$ 182,910</u>
Transferred at a point-in-time	\$ 56	\$ 235	\$ 4,462	\$ 4,753
Transferred over time	50,087	84,971	43,099	178,157
Total revenues	<u>\$ 50,143</u>	<u>\$ 85,206</u>	<u>\$ 47,561</u>	<u>\$ 182,910</u>

Payments to customers that are not in exchange for a distinct good or service are recorded as a reduction of revenues. Rebates to certain customers associated with payments for recycled or organic materials that are received and subsequently processed and sold to other third-parties amounted to \$1,568 in the three months ended March 31, 2021 and \$991 in the three months ended March 31, 2020. Rebates are generally recorded as a reduction of revenues upon the sale of such materials, or upon receipt of the recycled materials at our facilities. We did not record any revenues in the three months ended March 31, 2021 or March 31, 2020 from performance obligations satisfied in previous periods.

Contract receivables, which are included in Accounts receivable, net are recorded when billed or when related revenue is earned, if earlier, and represent claims against third-parties that will be settled in cash. Accounts receivable, net includes gross receivables from contracts of \$67,062 and \$74,162 as of March 31, 2021 and December 31, 2020, respectively. Certain customers are billed in advance and, accordingly, recognition of the related revenues is deferred as a contract liability until the services are provided and control transferred to the customer. We recognized contract liabilities of \$3,082 and \$2,685 as of March 31, 2021 and December 31, 2020, respectively. Due to the short term nature of advanced billings, substantially all of the deferred revenue recognized as a contract liability as of December 31, 2020 and December 31, 2019 was recognized as revenue during the three months ended March 31, 2021 and March 31, 2020, respectively, when the services were performed.

4. BUSINESS COMBINATIONS

In the three months ended March 31, 2021, we acquired one tuck-in solid waste collection and recycling business in our Western region. In the three months ended March 31, 2020, we acquired two businesses: one tuck-in solid waste collection business in our Western region and one recycling operation in our Resource Solutions operating segment. The operating results of the acquired businesses are included in the accompanying unaudited consolidated statements of operations from each date of acquisition, and the purchase price has been allocated to the net assets acquired based on fair values at each date of acquisition, with the residual amounts recorded as goodwill. Acquired intangible assets other than goodwill that are subject to amortization include client lists and non-compete covenants. Such assets are amortized over a five-year to ten-year period from the date of acquisition. All amounts recorded to goodwill, except goodwill related to certain acquisitions, are expected to be deductible for tax purposes.

A summary of the purchase price paid and the purchase price allocation for these acquisitions follows:

	Three Months Ended March 31,	
	2021	2020
Purchase Price:		
Cash used in acquisitions, net of cash acquired	\$ 3,465	\$ 4,771
Holdbacks	385	580
Total	3,850	5,351
Allocated as follows:		
Land	—	325
Buildings	—	678
Equipment	1,254	2,396
Intangible assets	1,285	1,225
Other liabilities, net	(76)	(80)
Fair value of assets acquired and liabilities assumed	2,463	4,544
Excess purchase price allocated to goodwill	\$ 1,387	\$ 807

Certain purchase price allocations are preliminary and are based on information existing at the acquisition dates or upon closing the transaction. Accordingly, these purchase price allocations are subject to change. Unaudited pro forma combined information that shows our operational results as though each acquisition completed since the beginning of the prior fiscal year had occurred as of January 1, 2020 is as follows:

	Three Months Ended March 31,	
	2021	2020
Revenues	\$ 189,851	\$ 187,872
Operating income	\$ 12,050	\$ 7,237
Net income	\$ 4,335	\$ 1,032
Basic earnings per share attributable to common stockholders:		
Weighted average common shares outstanding	51,179	48,005
Basic earnings per common share	\$ 0.08	\$ 0.02
Diluted earnings per share attributable to common stockholders:		
Weighted average common shares outstanding	51,387	48,262
Diluted earnings per common share	\$ 0.08	\$ 0.02

The unaudited pro forma results set forth in the table above have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the acquisitions occurred as of January 1, 2020 or of the results of our future operations. Furthermore, the unaudited pro forma results do not give effect to all cost savings or incremental costs that may occur as a result of the integration and consolidation of the completed acquisitions.

5. GOODWILL AND INTANGIBLE ASSETS

A summary of the activity and balances related to goodwill by reporting segment is as follows:

	December 31, 2020	Acquisitions	March 31, 2021
Eastern region	\$ 30,873	\$ —	\$ 30,873
Western region	149,984	1,415	151,399
Resource solutions	14,044	—	14,044
Total	<u>\$ 194,901</u>	<u>\$ 1,415</u>	<u>\$ 196,316</u>

Summaries of intangible assets by intangible asset type follows:

	Covenants Not-to-Compete	Client Lists	Total
Balance, March 31, 2021			
Intangible assets	\$ 27,302	\$ 79,763	\$ 107,065
Less accumulated amortization	(20,944)	(28,540)	(49,484)
	<u>\$ 6,358</u>	<u>\$ 51,223</u>	<u>\$ 57,581</u>

	Covenants Not-to-Compete	Client Lists	Total
Balance, December 31, 2020			
Intangible assets	\$ 26,971	\$ 78,809	\$ 105,780
Less accumulated amortization	(20,547)	(26,909)	(47,456)
	<u>\$ 6,424</u>	<u>\$ 51,900</u>	<u>\$ 58,324</u>

Intangible amortization expense was \$2,028 during the three months ended March 31, 2021 and \$2,093 during the three months ended March 31, 2020.

A summary of intangible amortization expense estimated for the five fiscal years following fiscal year 2020 and thereafter follows:

Estimated Future Amortization Expense as of March 31, 2021

Fiscal year ending December 31, 2021	\$ 6,026
Fiscal year ending December 31, 2022	\$ 7,394
Fiscal year ending December 31, 2023	\$ 7,138
Fiscal year ending December 31, 2024	\$ 8,055
Fiscal year ending December 31, 2025	\$ 8,259
Thereafter	\$ 20,709

6. ACCRUED FINAL CAPPING, CLOSURE AND POST CLOSURE

Accrued final capping, closure and post-closure costs include the current and non-current portion of costs associated with obligations for final capping, closure and post-closure of our landfills. We estimate our future final capping, closure and post-closure costs in order to determine the final capping, closure and post-closure expense per ton of waste placed into each landfill. The anticipated time frame for paying these costs varies based on the remaining useful life of each landfill as well as the duration of the post-closure monitoring period.

A summary of the changes to accrued final capping, closure and post-closure liabilities follows:

	Three Months Ended March 31,	
	2021	2020
Beginning balance	\$ 82,533	\$ 71,927
Obligations incurred	1,038	898
Accretion expense	1,811	1,622
Obligations settled (1)	(357)	(1,097)
Ending balance	<u>\$ 85,025</u>	<u>\$ 73,350</u>

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

7. DEBT

A summary of debt is as follows:

	March 31, 2021	December 31, 2020
Senior Secured Credit Facility:		
Revolving line of credit facility ("Revolving Credit Facility") due May 2023; bearing interest at LIBOR plus 1.75%	\$ —	\$ —
Term loan A facility ("Term Loan Facility") due May 2023; bearing interest at LIBOR plus 1.75%	349,125	350,000
Tax-Exempt Bonds:		
New York State Environmental Facilities Corporation Solid Waste Disposal Revenue Bonds Series 2014 ("New York Bonds 2014R-1") due December 2044 - fixed rate interest period through 2029; bearing interest at 2.875%	25,000	25,000
New York State Environmental Facilities Corporation Solid Waste Disposal Revenue Bonds Series 2014R-2 ("New York Bonds 2014R-2") due December 2044 - fixed rate interest period through 2026; bearing interest at 3.125%	15,000	15,000
New York State Environmental Facilities Corporation Solid Waste Disposal Revenue Bonds Series 2020 ("New York Bonds 2020") due September 2050 - fixed rate interest period through 2025; bearing interest at 2.750%	40,000	40,000
Finance Authority of Maine Solid Waste Disposal Revenue Bonds Series 2005R-3 ("FAME Bonds 2005R-3") due January 2025 - fixed rate interest period through 2025; bearing interest at 5.25%	25,000	25,000
Finance Authority of Maine Solid Waste Disposal Revenue Bonds Series 2015R-1 ("FAME Bonds 2015R-1") due August 2035 - fixed rate interest period through 2025; bearing interest at 5.125%	15,000	15,000
Finance Authority of Maine Solid Waste Disposal Revenue Bonds Series 2015R-2 ("FAME Bonds 2015R-2") due August 2035 - fixed rate interest period through 2025; bearing interest at 4.375%	15,000	15,000
Vermont Economic Development Authority Solid Waste Disposal Long-Term Revenue Bonds Series 2013 ("Vermont Bonds") due April 2036 - fixed rate interest period through 2028; bearing interest at 4.625%	16,000	16,000
Business Finance Authority of the State of New Hampshire Solid Waste Disposal Revenue Bonds Series 2013 ("New Hampshire Bonds") due April 2029 - fixed rate interest period through 2029; bearing interest at 2.95%	11,000	11,000
Other:		
Finance leases maturing through December 2107; bearing interest at a weighted average of 4.0%	34,573	31,486
Notes payable maturing through June 2027; bearing interest at a weighted average of 3.4%	4,522	4,933
Principal amount of debt	550,220	548,419
Less—unamortized debt issuance costs (1)	8,197	8,768
Debt less unamortized debt issuance costs	542,023	539,651
Less—current maturities of debt	10,918	9,240
	<u>\$ 531,105</u>	<u>\$ 530,411</u>

(1) A summary of unamortized debt issuance costs by debt instrument follows:

	March 31, 2021	December 31, 2020
Revolving Credit Facility and Term Loan Facility (collectively, the "Credit Facility")	\$ 3,429	\$ 3,839
New York Bonds 2014R-1	984	1,000
New York Bonds 2014R-2	314	329
New York Bonds 2020	1,417	1,461
FAME Bonds 2005R-3	325	347
FAME Bonds 2015R-1	465	482
FAME Bonds 2015R-2	324	343
Vermont Bonds	473	487
New Hampshire Bonds	466	480
	<u>\$ 8,197</u>	<u>\$ 8,768</u>

Credit Facility

As of March 31, 2021, we are party to a credit agreement ("Credit Agreement"), which provides for a \$350,000 aggregate principal amount Term Loan Facility and a \$200,000 Revolving Credit Facility. 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 \$125,000, subject to the terms and conditions set forth in the Credit Agreement. The Credit Facility has a 5-year term that matures in May 2023 and bears interest at a rate of LIBOR plus 1.75% per annum, which will be reduced to a rate of LIBOR plus as low as 1.25% upon us reaching a consolidated net leverage ratio of less than 2.25x. The 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 March 31, 2021, further advances were available under the Credit Facility in the amount of \$173,575. The available amount is net of outstanding irrevocable letters of credit totaling \$26,425, at which date no amount had been drawn.

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 March 31, 2021, we were in compliance with the covenants contained in the Credit Agreement. In addition to these financial covenants, 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.

Cash Flow Hedges

Our strategy to reduce exposure to interest rate risk involves entering into interest rate derivative agreements to hedge against adverse movements in interest rates related to the variable rate portion of our long-term debt. We have designated these derivative instruments as highly effective cash flow hedges, and therefore the change in fair value is recorded in our stockholders' equity as a component of accumulated other comprehensive 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 and included in cash flows from operating activities.

As of March 31, 2021 and December 31, 2020, our active interest rate derivative agreements had total notional amounts of \$195,000 and \$190,000, respectively. According to the terms of the agreements, we receive interest based on the 1-month LIBOR index and pay interest at a weighted average rate of approximately 2.51% as of March 31, 2021. The agreements mature between February 2022 and December 2026. As of March 31, 2021 and December 31, 2020, we had forward starting interest rate derivative agreements with total notional amounts of \$85,000 and \$125,000, respectively. According to the terms of the agreements, we receive interest based on the 1-month LIBOR index, restricted by a 0.0% floor, and will pay interest at a weighted average rate of approximately 1.55%. The agreements mature between February 2027 and May 2028.

A summary of the effect of cash flow hedges related to derivative instruments on the consolidated balance sheet follows:

		Fair Value	
		March 31, 2021	December 31, 2020
Balance Sheet Location			
Interest rate swaps	Other current assets	\$ —	\$ —
Interest rate swaps	Other non-current assets	614	—
		<u>\$ 614</u>	<u>\$ —</u>
Interest rate swaps	Other accrued liabilities	\$ 4,778	\$ 4,774
Interest rate swaps	Other long-term liabilities	4,090	8,463
		<u>\$ 8,868</u>	<u>\$ 13,237</u>
Interest rate swaps	Accumulated other comprehensive loss, net of tax	\$ (8,462)	\$ (13,434)
Interest rate swaps - tax effect	Accumulated other comprehensive loss, net of tax	775	1,917
		<u>\$ (7,687)</u>	<u>\$ (11,517)</u>

A summary of the amount of expense on cash flow hedging relationships related to interest rate swaps reclassified from accumulated other comprehensive loss into earnings follows:

	Statement of Operations Location	Three Months Ended March 31,	
		2021	2020
Interest expense		\$ 1,145	\$ 367

8. COMMITMENTS AND CONTINGENCIES

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 allegations of environmental damage or violations of the permits and licenses pursuant to which we operate. In addition, we may be 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.

In accordance with FASB ASC 450 - Contingencies, 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 450-20. 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 450-20.

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 was operated by SRD and later closed in November 2018 when Southbridge Landfill reached its final capacity. Those results indicated the presence of contaminants above the levels triggering notice and response obligations under MADEP regulations. In response to those results, we carried out an Immediate Response Action pursuant to Massachusetts General Law Chapter 21E (the “Charlton 21E Obligations”). Further, we implemented a plan to analyze and better understand the groundwater near the Southbridge Landfill and we investigated with the objective of identifying the source or sources of the elevated levels of contamination measured in the well samples.

We entered into an Administrative Consent Order on April 26, 2017 (the “ACO”), with MADEP, the Town, and the Town of Charlton, committing us to equally share the costs with MADEP, of up to \$10,000 (\$5,000 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 issued a twenty (20) year bond for our portion of the Waterline costs in the amount of \$4,089. We have agreed to reimburse the Town for periodic payments under such bond. Construction of the Waterline is complete and homeowners are relying on municipal water supply. Bond reimbursement to the Town commenced in the quarter ended June 30, 2020.

We have recorded an environmental remediation liability related to our obligation associated with 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.

A summary of the changes to the environmental remediation liability associated with the Southbridge Landfill follows:

	Three Months Ended March 31,	
	2021	2020
Beginning balance	\$ 4,261	\$ 4,596
Accretion expense	28	\$ 30
Obligations incurred	—	\$ 27
Obligations settled (1)	—	\$ (12)
Ending balance	<u>\$ 4,289</u>	<u>\$ 4,641</u>

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

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 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 \$10,219. 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 \$12,130. 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. The majority of the remediation work has been completed as of March 31, 2021. 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. 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 1.9%. The environmental remediation liability associated with the Potsdam site was \$939 as of both March 31, 2021 and December 31, 2020.

Legal Proceedings

North Country Environmental Services

On or about March 8, 2018, NELC and the Conservation Law Foundation (“CLF”) (the “NH Citizen Groups”) delivered correspondence to our subsidiary, North Country Environmental Services, Inc. (“NCES”), and us, providing notice of the NH Citizen Groups' intent to sue NCES and us for violations of the CWA in conjunction with NCES's operation of its landfill in Bethlehem, New Hampshire (“NCES Landfill”). On May 14, 2018, the NH Citizen Groups filed a lawsuit against NCES and us in the United States District Court for the District of New Hampshire (the “New Hampshire Court”) alleging violations of the CWA, arguing that ground water discharging into the Ammonoosuc River is a “point source” under the CWA (the “New Hampshire Litigation”). The New Hampshire Litigation seeks remediation and fines under the CWA and an order requiring NCES to seek a Federal National Pollutant Discharge Elimination System permit for the operation of the NCES Landfill. On June 15, 2018, we and NCES filed a Motion to Dismiss the New Hampshire Litigation. On July 13, 2018, the NH Citizen Groups filed objections to our Motion to Dismiss. On July 27, 2018, we filed a reply in support of our Motion to Dismiss. On September 25, 2018, the New Hampshire Court denied our Motion to Dismiss. In March of 2019, we filed a motion in the New Hampshire Litigation asking for a stay of this litigation until certain appeals from discordant federal circuit courts were heard by the Supreme Court of the United States (“SCOTUS”), in the case identified as “County of Maui v. Hawaii Wildlife Fund (“MAUI”). Our motion for a stay was granted in the New Hampshire Litigation, and SCOTUS heard the case in 2019 and issued a ruling on April 23, 2020. SCOTUS remanded the case to the U.S. Court of Appeals for the Ninth Circuit in San Francisco (the “Circuit Court”) ruling that the Circuit Court’s standard as to whether ground water impacts to navigable waters is too broad. We do not believe that the MAUI decision resolves the issues presented in the New Hampshire Litigation, and until the Circuit Court rules in the remanded MAUI case, we intend to continue to vigorously defend against the New Hampshire Litigation, which we believe is without merit. The NH Citizens Groups filed a motion with the New Hampshire Court on July 15, 2020 to amend their complaint based on MAUI. The New Hampshire Court granted the NH Citizen Groups' motion on September 2, 2020 and encouraged the parties to file motions for summary judgment. We filed our Motion for Summary Judgment on November 20, 2020 and the NH Citizens Groups filed a Motion for Summary Judgment on February 19, 2021. A hearing on motions for summary judgment is scheduled for May 14, 2021.

On October 9, 2020, we received a Type I-A Permit Modification for Expansion in the Stage VI area of the NCES Landfill (the “Permit”). On November 9, 2020, CLF filed an appeal of the Permit to the New Hampshire Waste Management Council on the grounds it failed to meet the public benefit criteria. On January 19, 2021, CLF filed a Complaint for Injunctive Relief with the Grafton Superior Court to enjoin NCES from accepting waste pursuant to the new Permit until such a time as CLF has exhausted its appeal rights. A hearing on the Complaint for Injunctive Relief was held on March 10, 2021; the Grafton Superior Court has not yet issued a decision. The Grafton Superior Court denied our Motion to Dismiss by Order dated March 17, 2021. We filed a Motion to Reconsider on March 26, 2021. We will continue to vigorously defend against this litigation.

Hakes Landfill Litigation

On or about December 19, 2019, the New York State Department of Environmental Conservation (“Department”) issued certain permits to us to expand the landfill owned and operated by Hakes C&D Disposal Inc. in the Town of Campbell, Steuben County, New York (“Hakes Landfill”). The permits authorize approximately five years of expansion capacity at the Hakes Landfill. The authorizations issued by the Department followed approvals issued by the Town of Campbell Planning Board (“Planning Board”) in January 2019, and the Town Board of the Town of Campbell (“Town Board”) in March 2019, granting site plan review and a zoning change for the project.

Litigation was commenced by the Sierra Club, several other non-governmental organizations, and several individuals (“the Petitioners”), challenging the approvals issued by the Department, the Planning Board and the Town Board in New York State Supreme Court, Steuben County (the “Hakes Litigation”). The challenge was based upon allegations that the agencies issuing these approvals did not follow the requirements of Article 8 of the Environmental Conservation Law of the State of New York, the State Environmental Quality Review Act (“SEQRA”), by failing to address certain radioactivity issues alleged by Petitioners to be associated with certain drilling wastes authorized for disposal at the Hakes Landfill. The Department opposed the Hakes Litigation on procedural grounds. We and the Town of Campbell opposed the Hakes Litigation on the merits, and on July 31, 2020, the Court dismissed the Hakes Litigation on the merits. The Petitioners filed a notice of appeal. The time to appeal expired on February 10, 2021, and the attorney for the Petitioners confirmed that they are not pursuing the appeal. Accordingly, all approvals issued for the expansion project are now final and binding.

Ontario County, New York Class Action Litigation

On or about September 17, 2019, Richard Vandemortel and Deb Vandemortel (“Named Plaintiffs”) filed a class action complaint against us in Ontario County Supreme Court (the “New York Court”) on behalf of similarly situated citizens (“Class Members”) in Ontario County, New York (the “New York Litigation”). The New York Litigation alleges that over one thousand (1,000) citizens constitute the putative class in the New York Litigation, and it seeks damages for diminution of property values and infringement of the putative class’ rights to live without interference to their daily lives due to odors emanating from the Subtitle D landfill located in Seneca, New York, which is operated by us pursuant to a long-term Operation, Maintenance and Lease Agreement with Ontario County. The New York Litigation was served on us on October 14, 2019, and the parties commenced settlement negotiations in early 2020. On December 1, 2020, the parties entered into a settlement agreement (the “Settlement Agreement”) and thereafter the Named Plaintiffs and Class Members’ counsel (“Counsel”) moved the New York Court for entry of the Order on Notice/Preliminary Approvals. The settlement includes a \$750 payment to a Qualified Settlement Fund for the benefit of Counsel and one-time lump sum payments to the Named Plaintiffs and Class Members who opt into the Settlement Agreement. We will also commit \$900 in expenses and capital improvements for remediation measures to be completed by December 31, 2022.

Conservation Law Foundation, Inc. v Robert R. Scott, Commissioner, New Hampshire Department of Environmental Services

On or about February 11, 2021, the CLF filed a complaint against Robert R. Scott, Commissioner of the New Hampshire Department of Environmental Services (“DES”), in the Merrimac County Superior Court. The complaint alleges that DES has failed to comply with the duty to establish and update a solid waste plan for the State of New Hampshire, and the duty to rely on that solid waste plan in determining whether to grant permits for proposed waste disposal facilities, and seeks a declaratory judgment that DES is violating statutory solid waste planning and regulatory requirements; a writ of mandamus ordering DES to achieve compliance with the statutory solid waste plan requirement; and an order enjoining DES from reviewing, and issuing decisions on, permit applications for new or expanded waste facilities, including a landfill under development by us in Dalton, New Hampshire (“Granite State Landfill”), as well as any further review and decision-making required for permits it has already granted, including our NCES Landfill, until it has a legally valid state solid waste plan. On or about February 16, 2021, our subsidiary, Granite State Landfill, LLC, filed a Motion to Intervene in the action, which was granted by the Merrimac County Superior Court on February 17, 2021. A hearing on CLF’s request for preliminary injunctive relief and the parties’ motions to dismiss was held April 9, 2021. Post-hearing filings were due April 23, 2021.

9. STOCKHOLDERS' EQUITY

Stock Based Compensation

Shares Available For Issuance

In the fiscal year ended December 31, 2016, we adopted the 2016 Incentive Plan ("2016 Plan"). Under the 2016 Plan, we may grant awards up to an aggregate amount of shares equal to the sum of: (i) 2,250 shares of Class A common stock (subject to adjustment in the event of stock splits and other similar events), plus (ii) such additional number of shares of Class A common stock (up to 2,723 shares) as is equal to the sum of the number of shares of Class A common stock that remained available for grant under the 2006 Stock Incentive Plan ("2006 Plan") immediately prior to the expiration of the 2006 Plan and the number of shares of Class A common stock subject to awards granted under the 2006 Plan that expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by us. As of March 31, 2021, there were 950 Class A common stock equivalents available for future grant under the 2016 Plan.

Stock Options

Stock options are granted at a price equal to the prevailing fair value of our Class A common stock at the date of grant. Generally, stock options granted have a term not to exceed ten years and vest over a one-year to four-year period from the date of grant.

The fair value of each stock option granted is estimated using a Black-Scholes option-pricing model, which requires extensive use of accounting judgment and financial estimation, including estimates of the expected term stock option holders will retain their vested stock options before exercising them and the estimated volatility of our Class A common stock price over the expected term.

A summary of stock option activity follows:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding, December 31, 2020	90	\$ 8.91		
Granted	—	\$ —		
Exercised	(9)	\$ 12.48		
Forfeited	—	\$ —		
Outstanding, March 31, 2021	81	\$ 8.51	4.3	\$ 4,467
Exercisable, March 31, 2021	81	\$ 8.51	4.3	\$ 4,467

We did not record any stock-based compensation expense for stock options during each of the three months ended March 31, 2021 and March 31, 2020.

During the three months ended March 31, 2021, the aggregate intrinsic value of stock options exercised was \$448.

Other Stock Awards

Restricted stock awards, restricted stock units and performance stock units, with the exception of market-based performance stock units, are granted at a price equal to the fair value of our Class A common stock at the date of grant. The fair value of each market-based performance stock unit is estimated using a Monte Carlo pricing model, which requires extensive use of accounting judgment and financial estimation, including the estimated share price appreciation plus the value of dividends of our Class A common stock as compared to the Russell 2000 Index over the requisite service period.

Generally, restricted stock awards granted to non-employee directors vest incrementally over a three year period beginning on the first anniversary of the date of grant. Restricted stock units granted to non-employee directors vest in full on the first anniversary of the grant date. Restricted stock units granted to employees vest incrementally over an identified service period beginning on the grant date based on continued employment. Performance stock units granted to employees, including market-based performance stock units, vest at a future date following the grant date and are based on the attainment of performance targets and market achievements, as applicable.

A summary of restricted stock, restricted stock unit and performance stock unit activity follows:

	Restricted Stock, Restricted Stock Units, and Performance Stock Units (1)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding, December 31, 2020	307	\$ 41.55		
Granted	88	\$ 67.48		
Class A Common Stock Vested	(68)	\$ 32.69		
Forfeited	—	\$ 56.04		
Outstanding, March 31, 2021	327	\$ 50.37	2.1	\$ 20,750
Unvested, March 31, 2021	595	\$ 50.59	1.9	\$ 37,816

(1) Market-based performance stock unit grants are included at the 100% attainment level. Attainment of the maximum performance targets and market achievements would result in the issuance of an additional 268 shares of Class A common stock currently included in unvested.

Stock-based compensation expense related to restricted stock, restricted stock units and performance stock units was \$2,884 during the three months ended March 31, 2021 as compared to \$1,515 during the three months ended March 31, 2020.

During the three months ended March 31, 2021, the total fair value of other stock awards vested was \$4,405.

As of March 31, 2021, total unrecognized stock-based compensation expense related to outstanding restricted stock was \$67, which will be recognized over a weighted average period of 2.1 years. As of March 31, 2021, total unrecognized stock-based compensation expense related to outstanding restricted stock units was \$5,558, which will be recognized over a weighted average period of 2.2 years. As of March 31, 2021, total expected unrecognized stock-based compensation expense related to outstanding performance stock units was \$7,933 to be recognized over a weighted average period of 2.0 years.

We also recorded \$57 of stock-based compensation expense related to our Amended and Restated 1997 Employee Stock Purchase Plan during the three months ended March 31, 2021 as compared to \$47 during the three months ended March 31, 2020.

Accumulated Other Comprehensive Loss, Net of Tax

A summary of the changes in the balances of each component of accumulated other comprehensive loss, net of tax follows:

	Interest Rate Swaps
Balance, December 31, 2020	\$ (11,517)
Other comprehensive income before reclassifications	3,827
Amounts reclassified from accumulated other comprehensive income	1,145
Income tax provision related to items of other comprehensive income	(1,142)
Net current-period other comprehensive income	3,830
Balance, March 31, 2021	\$ (7,687)

A summary of reclassifications out of accumulated other comprehensive loss, net of tax follows:

Details About Accumulated Other Comprehensive Loss Components	Three Months Ended March 31,		Affected Line Item in the Consolidated Statements of Operations
	2021	2020	
Interest rate swaps	\$ 1,145	\$ 367	Interest expense
	(1,145)	(367)	Income before income taxes
	(127)	112	Provision for income taxes
	\$ (1,018)	\$ (479)	Net income

10. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated based on the combined weighted average number of common shares and potentially dilutive shares, which include the assumed exercise of employee stock options, unvested restricted stock awards, unvested restricted stock units and unvested performance stock units, including market-based performance units based on the expected achievement of performance targets. In computing diluted earnings per share, we utilize the treasury stock method.

A summary of the numerator and denominators used in the computation of earnings per share follows:

	Three Months Ended March 31,	
	2021	2020
Numerator:		
Net income	\$ 4,311	\$ 959
Denominators:		
Number of shares outstanding, end of period:		
Class A common stock	50,374	47,320
Class B common stock	988	988
Shares to be issued - acquisition	—	36
Unvested restricted stock	(2)	(1)
Effect of weighted average shares outstanding	(181)	(338)
Basic weighted average common shares outstanding	51,179	48,005
Impact of potentially dilutive securities:		
Dilutive effect of stock options and other stock awards	208	257
Diluted weighted average common shares outstanding	51,387	48,262
Anti-dilutive potentially issuable shares	88	—

11. OTHER ITEMS AND CHARGES

Expense from Acquisition Activities

In the three months ended March 31, 2021 and 2020, we recorded charges of \$414 and \$1,009, respectively, comprised primarily of legal, consulting and other similar costs associated with the acquisition and integration of acquired businesses or select development projects.

Southbridge Landfill Closure Charge

In 2017, we initiated the plan to cease operations of the Southbridge Landfill and later closed it in November 2018 when Southbridge Landfill reached its final capacity. Accordingly, in the three months ended March 31, 2021 and 2020, we recorded charges of \$157 and \$613, respectively, associated with legal and other costs pertaining to various matters as part of the unplanned early closure of the Southbridge Landfill through completion of the closure process.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

We use a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. These tiers include: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; and Level 3, defined as unobservable inputs that are not corroborated by market data.

We use valuation techniques that maximize the use of market prices and observable inputs and minimize the use of unobservable inputs. In measuring the fair value of our financial assets and liabilities, we rely on market data or assumptions that we believe market participants would use in pricing an asset or a liability.

Assets and Liabilities Accounted for at Fair Value

Our financial instruments include cash and cash equivalents, accounts receivable, restricted investment securities held in trust on deposit with various banks as collateral for our obligations relative to our landfill final capping, closure and post-closure costs, interest rate swaps, trade payables and long-term debt. The carrying values of cash and cash equivalents, accounts receivable and trade payables approximate their respective fair values due to their short-term nature. The fair value of restricted investment securities held in trust, which are valued using quoted market prices, are included as restricted assets in the Level 1 tier below. The fair value of the interest rate swaps included in the Level 2 tier below is calculated using discounted cash flow valuation methodologies based upon the one-month LIBOR yield curves that are observable at commonly quoted intervals for the full term of the swaps.

Recurring Fair Value Measurements

Summaries of our financial assets and liabilities that are measured at fair value on a recurring basis follow:

	Fair Value Measurement at March 31, 2021 Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Restricted investment securities - landfill closure	\$ 1,871	\$ —	\$ —
Interest rate swaps	—	614	—
	<u>\$ 1,871</u>	<u>\$ 614</u>	<u>\$ —</u>
Liabilities:			
Interest rate swaps	\$ —	\$ 8,868	\$ —

	Fair Value Measurement at December 31, 2020 Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Restricted investment securities - landfill closure	\$ 1,848	\$ —	\$ —
Liabilities:			
Interest rate swaps	\$ —	\$ 13,237	\$ —

Fair Value of Debt

As of March 31, 2021, the fair value of our fixed rate debt, including our FAME Bonds 2005R-3, FAME Bonds 2015R-1, FAME Bonds 2015R-2, Vermont Bonds, New York Bonds 2014R-1, New York Bonds 2014R-2, New York Bonds 2020 and New Hampshire Bonds was approximately \$173,090 and the carrying value was \$162,000. The fair value of the FAME Bonds 2005R-3, the FAME Bonds 2015R-1, the FAME Bonds 2015R-2, the Vermont Bonds, the New York Bonds 2014R-1, the New York Bonds 2014R-2, New York Bonds 2020 and the New Hampshire Bonds is considered to be Level 2 within the fair value hierarchy as the fair value is determined using market approach pricing provided by a third-party that utilizes pricing models and pricing systems, mathematical tools and judgment to determine the evaluated price for the security based on the market information of each of the bonds or securities with similar characteristics.

As of March 31, 2021, the carrying value of our Term Loan Facility was \$349,125 and the carrying value of our Revolving Credit Facility was \$0. Their fair values are based on current borrowing rates for similar types of borrowing arrangements, or Level 2 inputs, and approximate their carrying values.

Although we have determined the estimated fair value amounts of FAME Bonds 2005R-3, FAME Bonds 2015R-1, FAME Bonds 2015R-2, Vermont Bonds, New York Bonds 2014R-1, New York Bonds 2014R-2, New York Bonds 2020 and New Hampshire Bonds using available market information and commonly accepted valuation methodologies, a change in available market information, and/or the use of different assumptions and/or estimation methodologies could have a material effect on the estimated fair values. These amounts have not been revalued, and current estimates of fair value could differ significantly from the amounts presented.

13. SEGMENT REPORTING

We report selected information about our reportable operating segments in a manner consistent with that used for internal management reporting. We classify our solid waste operations on a geographic basis through regional operating segments, our Western and Eastern regions. Revenues associated with our solid waste operations are derived mainly from solid waste collection and disposal, landfill, landfill gas-to-energy, processing, transfer and recycling services in the northeastern United States. Effective January 1, 2021, we reorganized the Resource Solutions operating segment, which includes our larger-scale recycling and commodity brokerage operations along with our organics services and large scale commercial and industrial services, from our historical lines-of-service of recycling, organics and customer solutions into two lines-of-service: processing and non-processing. Revenues from processing services are derived from municipalities and customers in the form of processing fees, tipping fees, commodity sales, and organic material sales. Revenues from non-processing services are derived from brokerage services; overall resource management services providing a wide range of environmental services and zero waste solutions to large and complex organizations; and traditional collection, disposal and recycling services provided to large account multi-site customers. Revenues classification by service line reported in the three months ended March 31, 2020 has been reclassified to conform with the presentation for the three months ended March 31, 2021. Legal, tax, information technology, human resources, certain finance and accounting and other administrative functions are included in our Corporate Entities segment.

Three Months Ended March 31, 2021

Segment	Outside revenues	Inter-company revenues	Depreciation and amortization	Operating income (loss)	Total assets
Eastern	\$ 52,345	\$ 12,426	\$ 6,622	\$ 2,245	\$ 221,200
Western	85,764	28,682	14,039	7,756	646,381
Resource solutions	51,423	1,903	1,568	2,462	88,759
Corporate entities	—	—	453	(454)	237,906
Eliminations	—	(43,011)	—	—	—
	<u>\$ 189,532</u>	<u>\$ —</u>	<u>\$ 22,682</u>	<u>\$ 12,009</u>	<u>\$ 1,194,246</u>

Three Months Ended March 31, 2020

Segment	Outside revenues	Inter-company revenues	Depreciation and amortization	Operating income (loss)	Total assets
Eastern	\$ 50,143	\$ 11,839	\$ 5,958	\$ 975	\$ 206,334
Western	85,206	25,546	13,232	5,642	599,815
Resource solutions	47,561	2,894	1,610	1,003	93,199
Corporate entities	—	—	606	(608)	58,292
Eliminations	—	(40,279)	—	—	—
	<u>\$ 182,910</u>	<u>\$ —</u>	<u>\$ 21,406</u>	<u>\$ 7,012</u>	<u>\$ 957,640</u>

A summary of our revenues attributable to services provided follows:

	Three Months Ended March 31,	
	2021	2020
Collection	\$ 97,469	\$ 94,561
Disposal	37,853	38,625
Power generation	1,303	1,026
Processing	1,484	1,137
Solid waste operations	138,109	135,349
Processing	17,272	13,818
Non-processing	34,151	33,743
Resource solutions operations	51,423	47,561
Total revenues	<u>\$ 189,532</u>	<u>\$ 182,910</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our unaudited consolidated financial statements and notes thereto included under Item 1. In addition, reference should be made to our audited consolidated financial statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the Securities and Exchange Commission ("SEC") on February 19, 2021.

This Quarterly Report on Form 10-Q and, in particular, this Management's Discussion and Analysis of Financial Condition and Results of Operations, may contain or incorporate a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended, including statements regarding:

- the projected development of additional disposal capacity or expectations regarding permits for existing capacity;
- the outcome of any legal or regulatory matter;
- the expected and potential direct or indirect impacts of the novel coronavirus ("COVID-19") pandemic on our business;
- expected liquidity and financing plans;
- expected future revenues, operations, expenditures and cash needs;
- fluctuations in 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 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;
- 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. These forward-looking statements are not guarantees of future performance, circumstances or events. 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" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

There may be additional risks that we are not presently aware of or that we currently believe are immaterial, which could have an adverse impact on our business. 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.

Company Overview

Founded in 1975 with a single truck, Casella Waste Systems, Inc., a Delaware corporation and its wholly-owned subsidiaries (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, the Eastern and Western regions, each of which provides a full range of solid waste services. We manage our resource-renewal operations through the Resource Solutions operating segment, which includes our larger-scale recycling and commodity brokerage operations along with our organics services and large scale commercial and industrial services.

As of April 15, 2021, we owned and/or operated 46 solid waste collection operations, 58 transfer stations, 20 recycling facilities, eight Subtitle D landfills, four landfill gas-to-energy facilities and one landfill permitted to accept construction and demolition (“C&D”) materials.

Results of Operations

Recent Events

The global outbreak of the novel coronavirus (“COVID-19”) pandemic has caused, and is expected to continue to cause, economic disruption across our geographic footprint and has adversely affected, and is expected to continue to adversely affect, our business. The COVID-19 pandemic negatively impacted our revenues starting at the end of the three months ended March 31, 2020, as many small business and construction collection customers required service level changes and volumes into our landfills declined due to lower economic activity. Although demand for services has improved as local economies begin to reopen as allowed by State Governments, our collection and disposal operations continued to be negatively impacted by lower volumes attributable to the COVID-19 pandemic in the three months ended March 31, 2021.

The COVID-19 pandemic has negatively impacted and is expected to continue to impact our business in other ways, as we have experienced and continue to experience increased costs as a result of the COVID-19 pandemic, including, but not limited to, higher costs associated with providing a safe working environment for our employees (such as increased costs associated with the protection of our employees, including costs for additional safety equipment, hygiene products and enhanced facility cleaning), employee impacts from illness, supporting a remote administration workforce, community response measures, the inability of customers to continue to pay for services, and temporary closures of the facilities of our customers. We have taken measures to reduce costs in other areas and preserve liquidity during this period of uncertainty. As of the date of this filing, we are unable to determine or predict the full extent of the continuing impact that the COVID-19 pandemic will have on our business, results of operations, liquidity and capital resources. Future developments, such as the possibility of continuing spread of COVID-19 across our geographic footprint, the rate of vaccinations, the severity and containment of certain COVID-19 variants along with the pace and extent to which the States in which we operate facilitate a return to normal economic and operation conditions are uncertain and cannot be predicted at this time.

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 the 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. We manage our resource-renewal operations as either processing or non-processing services in our Resource Solutions operating segment. Revenues from processing services consist of revenues derived from municipalities and customers in the form of processing fees, tipping fees, commodity sales, and organic material sales. Revenues from non-processing services consist of brokerage services; overall resource management services providing a wide range of environmental services and zero waste solutions to large and complex organizations; and traditional collection, disposal and recycling services provided to large account multi-site customers.

A summary of revenues attributable to service provided (dollars in millions and as a percentage of total revenues) follows:

	Three Months Ended March 31,				\$ Change
	2021		2020		
Collection	\$ 97.5	51.5 %	\$ 94.6	51.7 %	\$ 2.9
Disposal	37.9	20.0 %	38.6	21.1 %	(0.7)
Power	1.3	0.7 %	1.0	0.5 %	0.3
Processing	1.4	0.7 %	1.1	0.7 %	0.3
Solid waste	138.1	72.9 %	135.3	74.0 %	2.8
Processing	17.2	9.1 %	13.9	7.6 %	3.3
Non-processing	34.2	18.0 %	33.7	18.4 %	0.5
Resource solutions	51.4	27.1 %	47.6	26.0 %	3.8
Total revenues	\$ 189.5	100.0 %	\$ 182.9	100.0 %	\$ 6.6

A summary of the period-to-period change in solid waste revenues (dollars in millions and as percentage growth of solid waste revenues) follows:

	Period-to-Period Change for the Three Months Ended March 31, 2021 vs. 2020	
	Amount	% Growth
Price	\$ 4.6	3.4 %
Volume	(4.4)	(3.3)%
Surcharges and other fees	(1.6)	(1.2)%
Commodity price and volume	0.3	0.2 %
Acquisitions	3.9	2.9 %
Solid waste revenues	\$ 2.8	2.0 %

Solid waste revenues

Price.

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

- \$3.3 million from favorable collection pricing; and
- \$1.3 million from favorable disposal pricing associated with our landfills and transfer stations.

Volume.

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

- \$(2.2) million from lower collection volumes primarily due to the negative impacts of the COVID-19 pandemic, which began impacting our revenues starting at the end of the three months ended March 31, 2020; and
- \$(2.5) million from lower disposal volumes (of which \$(1.5) million relates to lower landfill volumes, \$(0.9) million relates to lower transportation volumes and \$(0.1) million relates to lower transfer station volumes, in each case, primarily due to the negative impacts of the COVID-19 pandemic, which began impacting our revenues starting at the end of the three months ended March 31, 2020); partially offset by
- \$0.3 million from higher processing volumes.

Surcharges and other fees.

The surcharges and other fees change component in quarterly solid waste revenues growth from the prior year is associated with the energy component of the energy and environmental fee and the sustainability recycling adjustment fee. The energy component of the energy and environmental fee floats on a monthly basis in conjunction with diesel fuel prices. The sustainability recycling adjustment fee floats on a monthly basis conversely with recycled commodity prices.

Commodity price and volume.

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

- \$0.3 million from favorable commodity and energy pricing; and
- \$0.1 million due to higher landfill gas-to-energy volumes; partially offset by
- \$(0.1) million due to lower commodity processing volumes.

Acquisitions.

The acquisitions change component in quarterly solid waste revenues growth from the prior year is the result of the following:

- the acquisition of one tuck-in solid waste collection business in our Western region; and
- the acquisition of seven tuck-in solid waste collection businesses and a solid waste collection business in our Western region.

Resource Solutions revenues

The change component in quarterly resource solutions revenues growth of \$3.8 million from the prior year is the result of the following:

- \$3.2 million from the favorable impact of commodity pricing in the marketplace (not including the impact of lower intercompany tipping fees); and
- \$0.5 million from higher non-processing revenues primarily due to higher volumes; and
- \$0.1 million from higher processing volumes driven by higher recycling commodity volumes.

Operating Expenses

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

	Three Months Ended March 31,				\$ Change
	2021		2020		
Cost of operations	\$ 127.1	67.1 %	\$ 128.5	70.3 %	\$ (1.4)
General and administration	\$ 27.1	14.3 %	\$ 24.4	13.3 %	\$ 2.7
Depreciation and amortization	\$ 22.7	12.0 %	\$ 21.4	11.7 %	\$ 1.3

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, 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.

As a percentage of revenues, cost of operations decreased 320 basis points during the three months ended March 31, 2021 from the same period of the prior year. The period-to-period change in cost of operations can be primarily attributed to the following:

Third-party direct costs decreased \$(2.2) million quarterly while decreasing 210 basis points as a percentage of revenues due to the following:

- lower hauling and third-party transportation costs associated with lower organic collection volumes, lower landfill volumes in our Western region, and lower transfer station volumes in our Eastern region, mainly due to the negative impacts of the COVID-19 pandemic, which began impacting our revenues starting at the end of the three months ended March 31, 2020; partially offset by higher hauling and third-party transportation costs associated with higher collection volumes related to acquisition activity in our Western region; and higher brokerage volumes in our Resource Solutions operating segment with high pass through direct costs.
- lower third-party disposal costs associated with internalizing more non-processing volumes in our Resource Solutions operating segment; and lower commercial collection, transportation and landfill volumes in our Western region mainly due to the negative impacts of the COVID-19 pandemic, which began impacting our revenues starting at the end of the three months ended March 31, 2020, and to a lesser extent lower organic collection and Western region landfill volumes due to our focus on pricing.

Direct operational costs decreased \$(1.6) million quarterly while decreasing 120 basis points as a percentage of revenues due to lower landfill operating costs in our Western region on lower landfill volumes, and lower equipment operating lease expense.

Labor and related benefit costs increased \$0.9 million quarterly while remaining flat as a percentage of revenues due primarily to acquisition activity in the Western region, higher health insurance costs and higher labor costs due to increased overtime; partially offset by lower salaries and labor costs within our Resource Solutions operating segment.

Maintenance and repair costs increased \$1.5 million quarterly while increasing 20 basis points as a percentage of revenues due primarily to higher facility maintenance costs in our Eastern region and higher operation support costs for our resource renewal operations.

General and Administration

General and administration expense includes management, clerical and administrative compensation, bad debt expense, as well as overhead costs, professional service fees and costs associated with marketing, sales force and community relations efforts.

The period-to-period change in general and administration expense can be primarily attributed to higher equity compensation costs and higher accrued incentive compensation on improved performance; partially offset by lower bad debt expense attributed to the timing of the COVID-19 pandemic, which resulted in a large increase in the allowance for credit losses as of March 31, 2020.

Depreciation and Amortization

Depreciation and amortization expense includes: (i) depreciation of property and equipment (including assets recorded for finance 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, and 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 (iii) 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:

	Three Months Ended March 31,				\$ Change
	2021		2020		
Depreciation	\$ 14.3	7.5 %	\$ 12.9	7.0 %	\$ 1.4
Landfill amortization	6.4	3.4 %	6.4	3.5 %	—
Other amortization	2.0	1.1 %	2.1	1.1 %	(0.1)
	<u>\$ 22.7</u>	<u>12.0 %</u>	<u>\$ 21.4</u>	<u>11.6 %</u>	<u>\$ 1.3</u>

The period-to-period change in depreciation and amortization expense can be primarily attributed to increased investment in our fleet and acquisition activity. Landfill amortization expense remained flat as higher amortization associated with changes in cost estimates and other assumptions was offset by lower landfill volumes mainly associated with the negative impacts of the COVID-19 pandemic.

Expense from Acquisition Activities

In the three months ended March 31, 2021 and 2020, we recorded charges of \$0.4 million and \$1.0 million, respectively, comprised primarily of legal, consulting and other similar costs associated with the acquisition and integration of acquired businesses or select development projects.

Southbridge Landfill Closure Charge

In 2017, we initiated the plan to cease operations of the Southbridge Landfill and later closed it in November 2018 when Southbridge Landfill reached its final capacity. Accordingly, in the three months ended March 31, 2021 and 2020, we recorded charges of \$0.2 million and \$0.6 million, respectively, associated with legal and other costs pertaining to various matters as part of the unplanned early closure of the Southbridge Landfill through completion of the closure process.

Other Expenses

Interest Expense, net

Our interest expense, net decreased \$(0.5) million quarterly due primarily to lower average interest rates associated with changes in LIBOR.

Provision for Income Taxes

Our provision for income taxes increased \$2.3 million as compared to the same period in the prior year. The provision for the three months ended March 31, 2021 includes \$0.1 million of current income taxes and \$2.3 million of deferred income taxes. For the three months ended March 31, 2020, the provision includes a \$(0.9) million current income tax benefit and \$1.0 million of deferred income taxes. The effective rate for the three months ended March 31, 2021 is 31%, before adjustment for the one-time adjustments primarily related to accumulated other comprehensive losses, and is computed based on the statutory rate of 21% adjusted primarily for state taxes and nondeductible officer compensation.

An increase of \$1.3 million in the deferred tax provision between the periods relates to the release of a significant portion of our valuation allowance in the fourth quarter ended December 31, 2020. On a periodic basis, we reassess the valuation allowance on our deferred income tax assets, weighing positive and negative evidence to assess the recoverability of the deferred tax assets. In the fourth quarter ended December 31, 2020, we assessed the valuation allowance and considered positive evidence, including significant cumulative consolidated income over the three years ended December 31, 2020, revenue growth and expectations of future profitability, and negative evidence, including the impact of a negative change in the economic climate, significant risks and uncertainties in the business and restrictions on tax loss utilization in certain state jurisdictions. After assessing both the positive evidence and the negative evidence, we determined it was more likely than not that the majority of our deferred tax assets would be realized in the future and released the valuation allowance on the majority of our net operating loss carryforwards and other deferred tax assets as of December 31, 2020, resulting in a benefit from income taxes of \$61.3 million. We continues to maintain a valuation allowance related to deferred tax assets that would generate capital losses when realized and deferred tax assets related to certain state jurisdictions.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted which, among other things, allows the carryback of remaining minimum tax credit carryforwards to tax year 2018. Prior to the CARES Act, the minimum tax credit carryforwards were fully refunded through tax year 2021, if not otherwise used to offset tax liabilities. A current income tax benefit of \$(1.0) million, offset by a \$1.0 million deferred tax provision, was recognized in the three months ended March 31, 2020 for the remaining minimum tax credit carried back to tax year 2018.

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJ Act") was enacted. The TCJ Act significantly changed U.S. corporate income tax laws by, among other things, changing carryforward rules for net operating losses. Our \$92.5 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 2021 and future tax years. Federal net operating losses generated after 2017, totaling \$46.5 million carried forward to 2021, will be carried forward indefinitely, but generally may only offset up to 80% of taxable income earned in a tax year.

Segment Reporting

Revenues

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

	Three Months Ended March 31,		\$ Change
	2021	2020	
Eastern	\$ 52.3	\$ 50.1	\$ 2.2
Western	85.8	85.2	0.6
Resource solutions	51.4	47.6	3.8
Total revenues	\$ 189.5	\$ 182.9	\$ 6.6

Eastern Region

A summary of the period-to-period change in solid waste revenues (dollars in millions and as percentage growth of solid waste revenues) follows:

	Period-to-Period Change for the Three Months Ended March 31, 2021 vs. 2020	
	Amount	% Growth
Price	\$ 1.9	3.7 %
Volume	1.0	2.1 %
Surcharges and other fees	(0.6)	(1.2)%
Commodity price and volume	(0.1)	(0.2)%
Solid waste revenues	\$ 2.2	4.4 %

Price.

The price change component in quarterly solid waste revenues growth is the result of the following:

- \$1.3 million from favorable collection pricing; and
- \$0.6 million from favorable disposal pricing related to transfer stations and landfills.

Volume.

The volume change component in quarterly solid waste revenues growth is the result of the following:

- \$1.3 million from higher disposal volumes related to landfill volumes, partially offset by lower transfer station volumes; and
- \$0.3 million from higher processing volumes; partially offset by
- \$(0.6) million from lower collection volumes mainly due to the negative impacts of the COVID-19 pandemic, which began impacting our revenues starting at the end of the three months ended March 31, 2020.

Surcharges and other fees.

The surcharges and other fees change component in quarterly solid waste revenues growth from the prior year is associated with the energy component of the energy and environmental fee and the sustainability recycling adjustment fee. The energy component of the energy and environmental fee floats on a monthly basis in conjunction with diesel fuel prices. The sustainability recycling adjustment fee floats on a monthly basis conversely with recycled commodity prices.

Western Region

A summary of the period-to-period change in solid waste revenues (dollars in millions and as percentage growth of solid waste revenues) follows:

	Period-to-Period Change for the Three Months Ended March 31, 2021 vs. 2020	
	Amount	% Growth
Price	\$ 2.7	3.2 %
Volume	(5.4)	(6.3)%
Surcharges and other fees	(1.0)	(1.2)%
Commodity price and volume	0.4	0.5 %
Acquisitions	3.9	4.5 %
Solid waste revenues	\$ 0.6	0.7 %

Price.

The price change component in quarterly solid waste revenues growth is the result of the following:

- \$2.0 million from favorable collection pricing; and
- \$0.7 million from favorable disposal pricing related to landfills and transfer stations.

Volume.

The volume change component in quarterly solid waste revenues growth is the result of the following:

- \$(1.6) million from lower collection volumes mainly due to the negative impacts of the COVID-19 pandemic, which began impacting our revenues starting at the end of the three months ended March 31, 2020; and
- \$(3.8) million from lower disposal volumes related to landfills and transportation mainly due to the negative impacts of the COVID-19 pandemic, which began impacting our revenues starting at the end of the three months ended March 31, 2020.

Surcharges and other fees.

The surcharges and other fees change component in quarterly solid waste revenues growth from the prior year is associated with the energy component of the energy and environmental fee and the sustainability recycling adjustment fee. The energy component of the energy and environmental fee floats on a monthly basis in conjunction with diesel fuel prices. The sustainability recycling adjustment fee floats on a monthly basis conversely with recycled commodity prices.

Commodity price and volume.

The commodity price and volume change component in quarterly solid waste revenues growth is the result of favorable energy and commodity pricing and higher landfill gas-to-energy volumes, partially offset by lower commodity processing volumes.

Acquisitions.

The acquisitions change component in quarterly solid waste revenues growth is the result of the acquisition of one tuck-in solid waste collection and recycling business in the three months ended March 31, 2021 and the acquisition of seven tuck-in solid waste collection businesses and a solid waste collection business during the prior year.

Operating Income

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

	Three Months Ended March 31,		\$ Change
	2021	2020	
Eastern	\$ 2.2	\$ 1.0	\$ 1.2
Western	7.8	5.6	2.2
Resource solutions	2.5	1.0	1.5
Corporate entities	(0.5)	(0.6)	0.1
Operating income	<u>\$ 12.0</u>	<u>\$ 7.0</u>	<u>\$ 5.0</u>

Eastern Region

Operating results improved \$1.2 million quarterly. Excluding the impact of the Southbridge Landfill closure charge and the expense from acquisition activities, our improved operating performance in the three months ended March 31, 2021 was driven by revenue growth more than offsetting the following cost changes:

Cost of operations: Cost of operations increased \$0.1 million quarterly due to: higher labor and benefit costs due to increased overtime and higher health insurance costs; and higher facility maintenance costs; partially offset by lower hauling and third-party transportation costs associated with lower collection and transfer station volumes, mainly due to the negative impacts of the COVID-19 pandemic, which began impacting our operations at the end of the three months ended March 31, 2020.

General and administration: General and administration expense increased \$1.2 million quarterly due to higher accrued incentive compensation and higher shared overhead costs associated with improved performance, partially offset by lower bad debt expense attributed to the timing of the COVID-19 pandemic, which resulted in a large increase in the allowance for credit losses as of March 31, 2020.

Depreciation and amortization: Depreciation and amortization expense increased \$0.7 million quarterly due to higher depreciation and amortization expense associated with acquisition activity and higher landfill amortization associated with changes in cost estimates and other assumptions.

Western Region

Operating results improved \$2.2 million quarterly. Excluding the impact of the expense from acquisition activities, our improved operating performance in the three months ended March 31, 2021 was driven by revenue growth more than offsetting the following cost changes:

Cost of operations: Cost of operations increased \$0.4 million quarterly due to: higher labor and benefit costs associated with acquisition activity, increased overtime, and higher health insurance costs; higher disposal costs on the internalization of volumes; and higher hauling and third-party transportation costs associated with higher collection volumes related to acquisition activity; partially offset by lower hauling and lower landfill operating costs on lower landfill tons and lower operating lease expense.

General and administration: General and administration expense increased \$0.9 million quarterly due to higher shared overhead costs associated with improved performance, partially offset by lower bad debt expense attributed to the timing of the COVID-19 pandemic, which resulted in a large increase in the allowance for credit losses as of March 31, 2020.

Depreciation and amortization: Depreciation and amortization expense increased \$0.8 million quarterly due primarily to acquisition activity, partially offset by lower landfill amortization on lower landfill volumes mainly associated with the negative impacts of the COVID-19 pandemic, which began impacting our operations at the end of the three months ended March 31, 2020.

Resource Solutions

Operating results improved \$1.5 million quarterly driven by revenue growth more than offsetting the following cost changes:

Cost of operations: Cost of operations increased \$0.7 million quarterly due to: higher hauling and third-party transportation costs associated with higher brokerage volumes with high pass through direct costs; higher disposal costs associated with internalizing more non-processing volumes; and higher facility operation support costs; partially offset by lower salaries and labor costs.

General and administration: General and administration expense increased \$0.7 million quarterly due to higher equity compensation costs, higher accrued incentive compensation and higher shared overhead costs on improved performance.

Liquidity and Capital Resources

Recent Events

We continue to monitor the impact that the COVID-19 pandemic has had and will continue to have on our actual and forecasted cash flows, our liquidity, and our capital requirements in order to properly manage our liquidity needs as we move forward. Because of the nature of the services we provide, we expect to continue to generate positive operating cash flows through stable revenue sources.

We have \$173.6 million of undrawn capacity from our \$200.0 million revolving line of credit facility ("Revolving Credit Facility") and \$152.6 million of cash and cash equivalents as of March 31, 2021 to help meet our liquidity needs, and our next significant debt maturity, which is comprised of our Revolving Credit Facility and term loan A facility ("Term Loan Facility", and together with the Revolving Credit Facility, the "Credit Facility"), is in May 2023. We believe that we will remain in compliance with all necessary covenants of our Credit Facility over the remaining term of this facility.

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

	March 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 152.6	\$ 154.3
Restricted assets:		
Restricted investment securities - landfill closure	\$ 1.9	\$ 1.8
Debt:		
Current portion	\$ 10.9	\$ 9.2
Non-current portion	539.3	539.2
Total debt	\$ 550.2	\$ 548.4

Summary of Cash Flow Activity

A summary of cash flows (in millions) follows:

	Three Months Ended March 31,		\$ Change
	2021	2020	
Net cash provided by operating activities	\$ 32.1	\$ 14.8	\$ 17.3
Net cash used in investing activities	\$ (31.3)	\$ (24.9)	\$ (6.4)
Net cash (used in) provided by financing activities	\$ (2.7)	\$ 32.9	\$ (35.6)

Cash flows from operating activities.

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

	Three Months Ended March 31,	
	2021	2020
Net income	\$ 4.3	\$ 1.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22.7	21.4
Depletion of landfill operating lease obligations	1.6	1.7
Interest accretion on landfill and environmental remediation liabilities	2.0	1.8
Amortization of debt issuance costs	0.6	0.5
Stock-based compensation	2.9	1.6
Operating lease right-of-use assets expense	1.4	2.4
Loss on sale of property and equipment	—	0.1
Southbridge Landfill non-cash closure charge	—	0.1
Non-cash expense from acquisition activities	0.1	0.5
Deferred income taxes	2.3	1.0
	37.9	32.1
Changes in assets and liabilities, net	(5.8)	(17.3)
Net cash provided by operating activities	\$ 32.1	\$ 14.8

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

Net cash provided by operating activities increased \$17.3 million in the three months ended March 31, 2021 as compared to the three months ended March 31, 2020. This was the result of improved operational performance combined with the favorable cash flow impact associated with the changes in our assets and liabilities, net of effects of acquisitions and divestitures. For discussion of our improved operational performance in the three months ended March 31, 2021 as compared to the three months ended March 31, 2020, see "Results of Operations" above. The decrease in 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 the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 was primarily due to the following:

- a \$11.9 million favorable impact to operating cash flows associated with the change in accounts payable; and
- a \$1.4 million favorable impact to operating cash flows associated with the change in accounts receivable; partially offset by
- a \$(1.9) million unfavorable impact to operating cash flows associated with the change in prepaid expenses, inventories and other assets.

Cash flows from investing activities.

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

	Three Months Ended March 31,	
	2021	2020
Acquisitions, net of cash acquired	\$ (4.6)	\$ (5.1)
Additions to property, plant and equipment	(26.8)	(19.9)
Proceeds from sale of property and equipment	0.1	0.1
Net cash used in investing activities	<u>\$ (31.3)</u>	<u>\$ (24.9)</u>

A summary of the most significant items affecting the change in our investing cash flows follows:

Acquisitions, net of cash acquired. In the three months ended March 31, 2021, we acquired one tuck-in solid waste collection and recycling business in our Western region for total consideration of \$3.9 million, including \$3.5 million in cash, and paid \$1.1 million in holdback payments on businesses previously acquired, as compared to the three months ended March 31, 2020 during which we paid \$5.4 million in total consideration, including \$4.8 million in cash, to acquire a tuck-in solid waste collection business in our Western region and one recycling operation in our Resource Solutions operating segment, and paid \$0.3 million in holdback payments on businesses previously acquired.

Capital expenditures. Capital expenditures were \$6.9 million higher in the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 primarily due to:

- \$8.7 million from higher replacement capital expenditures primarily associated with: capital spend for vehicles, machinery, equipment and containers associated with business growth, partially offset by lower capital spend on landfill development; partially offset by
- \$(2.1) million in lower capital expenditures from the integration of newly acquired operations, which includes planned capital expenditures following an acquisition, as well as non-routine development investments that are expected to provide long-term returns; and
- \$(0.1) million in lower capital expenditures from phase VI construction and development costs related to long-term infrastructure at the Subtitle D landfill in Coventry, Vermont ("Waste USA Landfill") to facilitate future landfill airspace construction which will significantly enhance the economic useful life of the Waste USA Landfill once construction is finished.

Cash flows from financing activities.

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

	Three Months Ended March 31,	
	2021	2020
Proceeds from long-term borrowings	\$ —	\$ 73.5
Principal payments on debt	(2.8)	(40.7)
Proceeds from the exercise of share based awards	0.1	0.1
Net cash (used in) provided by financing activities	<u>\$ (2.7)</u>	<u>\$ 32.9</u>

A summary of the most significant items affecting the change in our financing cash flows follows:

Debt activity. Net cash provided by debt activity decreased \$(35.6) million. The decrease in financing cash flows related to our strong cash position in the three months ended March 31, 2021, combined with prior year borrowings against our Revolving Credit Facility, which was subsequently paid down in the prior year.

Outstanding Long-Term Debt

Credit Facility

As of March 31, 2021, we had outstanding \$349.1 million aggregate principal amount of borrowings under our Term Loan Facility and \$0.0 million aggregate principal amount of borrowings under our \$200.0 million Revolving Credit Facility. The Credit Facility has a 5-year term that matures in May 2023 and bears interest at a rate of LIBOR plus 1.75% per annum, which will be reduced to a rate of LIBOR plus as low as 1.25% upon us reaching a consolidated net leverage ratio of less than 2.25x. 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 March 31, 2021, further advances were available under the Revolving Credit Facility in the amount of \$173.6 million. The available amount is net of outstanding irrevocable letters of credit totaling \$26.4 million, at which date no amount had been drawn. 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 \$125.0 million, subject to the terms and conditions set forth in the credit agreement ("Credit Agreement").

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 March 31, 2021, financial covenant requirements included a minimum interest coverage ratio of 3.00 times and a maximum consolidated net leverage ratio of 4.00 times. 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 March 31, 2021, we were in compliance with all covenants contained in the Credit Agreement.

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 may tighten during these times as well.

Tax-Exempt Financings and Other Debt

As of March 31, 2021, we had outstanding \$162.0 million aggregate principal amount of tax exempt bonds, \$34.6 million aggregate principal amount of finance leases and \$4.5 million aggregate principal amount of notes payable. See Note 7, *Debt* to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further disclosure over debt.

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. There can be no assurance that the economic conditions in the northeastern United States will recover from the impact of the COVID-19 pandemic at the same time as, or at the same rate as, other areas of the United States.

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
- 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 processing line-of-business in the Resource Solutions operating segment experiences increased volumes of fiber in November and December due to increased retail activity during the holiday season.

Critical Accounting Policies and Estimates

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, as applicable, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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. Except for the adoption of the new accounting standards discussed in Note 2, *Accounting Changes* to our consolidated financial statements included under Part I, Item 1 of this Quarterly Report on Form 10-Q, there were no material changes in the three months ended March 31, 2021 to the application of critical accounting policies and estimates as described in Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

New Accounting Pronouncements

For a description of the new accounting standards that may affect us, see Note 2, *Accounting Changes* to our consolidated financial statements included under Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES 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 reduce exposure to interest rate risk involves entering into interest rate derivative agreements to hedge against adverse movements in interest rates related to the variable rate portion of our long-term debt. We have designated these derivative instruments as highly effective cash flow hedges, and therefore the change in fair value is recorded in our stockholders' equity as a component of accumulated other comprehensive 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 and included in cash flows from operating activities.

As of March 31, 2021 and December 31, 2020, our active interest rate derivative agreements had a total notional amount of \$195.0 million and \$190.0 million, respectively. According to the terms of the agreements, we receive interest based on the 1-month LIBOR index and pay interest at a weighted average rate of approximately 2.51% as of March 31, 2021. The agreements mature between February 2022 and December 2026. As of March 31, 2021 and December 31, 2020, we had forward starting interest rate derivative agreements with a total notional amount of \$85.0 million and \$125.0 million, respectively. According to the terms of the agreements, we receive interest based on the 1-month LIBOR index, restricted by a 0.0% floor, and will pay interest at a weighted average rate of approximately 1.55%. The agreements mature between February 2027 and May 2028.

As of March 31, 2021, we had \$201.1 million of fixed rate debt in addition to the \$195.0 million fixed through our interest rate derivative agreements. We had interest rate risk relating to approximately \$154.1 million of long-term debt as of March 31, 2021. The weighted average interest rate on the variable rate portion of long-term debt was approximately 1.9% at March 31, 2021. 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 \$1.5 million.

Commodity Price Volatility

Information about commodity market volatility market risk as of March 31, 2021 does not differ materially from that discussed in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2021. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2021, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal controls over financial reporting. No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II.

ITEM 1. LEGAL PROCEEDINGS

The information required by this Item is provided in Note 8, *Commitments and Contingencies* to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Our business is subject to a number of risks, including those identified in Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (“2020 10-K”), that could have a material effect on our business, results of operations, financial condition and/or liquidity and that could cause our operating results to vary significantly from period to period. There have been no material changes to the risk factors disclosed in the 2020 10-K. We may disclose additional changes to our risk factors or disclose additional factors from time to time in our future filings with the Securities and Exchange Commission.

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1 +	Certification of John W. Casella, Principal Executive Officer, pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
31.2 +	Certification of Edmond R. Coletta, Principal Financial Officer, pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
32.1 ++	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.
32.2 ++	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.**
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.**
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.**
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.**
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.**
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.)
**	Submitted Electronically Herewith. Attached as Exhibit 101 to this report are the following formatted in inline XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020, (ii) Consolidated Statements of Operations for the three months ended March 31, 2021 and 2020, (iii) Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2021 and 2020, (iv) Consolidated Statements of Stockholders’ Equity for the three months ended March 31, 2021 and 2020, (v) Consolidated Statements of Cash Flows for the three months ended March 31, 2021 and 2020, and (vi) Notes to Consolidated Financial Statements.
+	Filed Herewith
++	Furnished Herewith

SIGNATURES

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

Casella Waste Systems, Inc.

Date: April 30, 2021

By: /s/ Christopher B. Heald

Christopher B. Heald

Vice President and Chief Accounting Officer

(Principal Accounting Officer)

Date: April 30, 2021

By: /s/ Edmond R. Coletta

Edmond R. Coletta

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION

I, John W. Casella, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Casella Waste Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2021

By: /s/ John W. Casella
John W. Casella
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Edmond R. Coletta, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Casella Waste Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2021

By: /s/ Edmond R. Coletta

Edmond R. Coletta

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Casella Waste Systems, Inc. for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof ("Report"), the undersigned, John W. Casella, Chairman and Chief Executive Officer, hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, our financial condition and results of operations.

Date: April 30, 2021

By: /s/ John W. Casella
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Casella Waste Systems, Inc. for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof ("Report"), the undersigned, Edmond R. Coletta, Senior Vice President and Chief Financial Officer, hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, our financial condition and results of operations.

Date: April 30, 2021

By: /s/ Edmond R. Coletta

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)