CASELLA WASTE SYSTEMS INC
Form 10-K
June 27, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS

PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the fiscal year ended April 30, 2014

Or

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

For the transition period from__________to__________

Commission file number 000-23211

CASELLA WASTE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**03-0338873**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
25 Greens Hill Lane, Rutland, VT	**05701**
(Address of principal executive offices)	**(Zip Code)**

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

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

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

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

None.

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Annual Report on Form 10-K or any amendment to this Annual Report on Form 10-K. ¨

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The aggregate market value of the common equity held by non-affiliates of the registrant, based on the last reported sale price of the registrant s Class A common stock on the NASDAQ Stock Market at the close of business on October 31, 2013 was approximately $218.7 million. The registrant does not have any non-voting common stock outstanding.

There were 39,121,079 shares of Class A common stock, $.01 par value per share, of the registrant outstanding at May 31, 2014. There were 988,200 shares of Class B common stock, $.01 par value per share, of the registrant outstanding at May 31, 2014.

Documents Incorporated by Reference

Portions of the registrant s Proxy Statement on Schedule 14A relative to the 2014 Annual Meeting of Stockholders are incorporated by reference in Part III hereof.

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CASELLA WASTE SYSTEMS, INC.

ANNUAL REPORT ON FORM 10-K

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PART I

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

Forward-Looking Statements

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

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

potential business combinations or divestitures; and

projected improvements to our infrastructure and 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 ot expressions, whether in the negative or affirmative. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate, as well as management s beliefs and assumptions, and should be read in conjunction with our consolidated financial statements and notes thereto. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in the forward-looking statements made. The occurrence of the events described and the achievement of the expected results depends on many events, some or all of which are not predictable or within our control. Actual results may differ materially from those set forth in the forward-looking statements.

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

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ITEM 1. BUSINESS

Overview

Founded in 1975 with a single truck, Casella Waste Systems, Inc. is a regional, vertically-integrated solid waste, recycling and resource management 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 operate 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, and our larger-scale recycling and commodity brokerage operations through our Recycling segment. Organics services, ancillary operations, major customer accounts, discontinued operations, and earnings from equity method investees are included in our Other segment.

As of May 31, 2014, we owned and/or operated 35 solid waste collection operations, 42 transfer stations, 16 recycling facilities, nine Subtitle D landfills, four landfill gas-to-energy facilities and one landfill permitted to accept construction and demolition (C&D) materials.

Strategy

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

Our key objective is to maximize long-term shareholder value through a combination of financial performance and strategic asset positioning. Annually, we complete a comprehensive strategic planning process to assess and refine our strategic objectives in the context of our asset mix and the current market environment. This process helps the management team allocate resources to a range of business opportunities in order to maximize long-term financial returns and competitive positioning. As part of our most recent strategic review, business activities have been classified into four categories: Core operations , Catalyst activities , Complementary activities , or Strategic non-fits.

Core operations are the primary drivers of our long-term financial success, and include our collection, landfill, and municipal solid waste processing operations. These are operations that we seek to expand. Catalyst activities are businesses or investments that enhance growth in the Core operations, such as sludge processing. Complementary activities are businesses or investments intended to leverage existing assets to improve performance, such as landfill gas-to-energy facilities. We generally do not look to grow Complementary activities unless it is to further enhance returns on existing assets or to take advantage of existing assets and infrastructure to support growth in our Core operations. Strategic non-fits are activities that no longer enhance or complement the Core operations, which may be divested at the appropriate time, such as our previous investment in US GreenFiber LLC (GreenFiber).

Over the last two fiscal years we have made significant progress in simplifying our business structure, improving cash flows and reducing risk exposure by divesting and closing operations that we classified as Strategic non-fits. These actions included: (a) divesting of Maine Energy Recovery Company, LP (Maine Energy), a low margin, negative cash flow waste-to-energy operation, in December 2012; (b) divesting of KTI BioFuels, Inc. (BioFuels), a low margin, negative cash flow C&D processing facility, in July 2013; (c) selling our 50% equity

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interest in GreenFiber, a negative cash flow cellulose insulation joint-venture, in December 2013; and (d) ceasing the development of a gas-pipeline project in northern Maine, which was projected to have returns below our cost of capital in January 2014. In fiscal year 2015, we plan to focus our efforts in four key areas: (1) increasing landfill returns; (2) driving additional profitability at collection operations; (3) executing our Eastern region strategy; and (4) differentiating our business by providing resource solutions.

We have updated the incentive compensation programs that we launched in fiscal year 2014 in order to further enhance alignment of our employees incentives with our long-term goal to improve returns on invested capital.

Increasing landfill returns

We own and/or operate five landfills in the Western New York and Pennsylvania region (Ontario, Hyland, Hakes C&D, Chemung, and McKean), which generally operate as an extended waste shed. We source waste volumes for these sites, from both local markets and long-haul sources, and we work to balance waste flows across these sites to maximize site utilization. Over the last five years we have experienced volume declines at our Western New York and Pennsylvania landfills. These declines are primarily the result of lower C&D, environmental remediation and natural gas drilling waste volumes. These declines significantly impacted profitability at these sites due to the high fixed costs inherent at a landfill.

We launched a strategic initiative in fiscal year 2014 to source incremental waste volumes to our landfills to maximize annual capacity utilization and increase cash flows. Our goal was to increase waste volumes by 0.5 million tons annually to our landfills by fiscal year 2015. We made excellent progress against this goal in fiscal year 2014, with overall landfill volumes up approximately 0.4 million tons per year compared to fiscal year 2013, excluding volumes from the Worcester landfill closure project in Massachusetts.

Landfill waste volume increases in fiscal year 2014 were primarily a result of: (1) our success in acquiring new transfer station and hauling customers; (2) increasing waste volumes at our Southbridge and WasteUSA landfills in accordance with increased annual permit limits; and (3) increasing C&D volumes as the construction market began to slowly rebound across several of our market areas.

Our success in fiscal year 2014 is primarily attributable to: our focused landfill sales strategy; the revamping of our special waste team to focus additional resources on sourcing additional industrial and remediation waste volumes; and our asset positioning in several key markets that have contracting permitted capacity.

Disposal market dynamics have quickly begun to shift across our footprint due to improving macroeconomics and a challenging regulatory environment (where a number of landfill and waste-to-energy facilities have closed in the last year and additional facilities are expected to close in the next several years), and will continue to do so in the future as expected shifts of waste flow in New York state will keep more waste volumes in the market for ultimate disposal over the next 20 years. Given this backdrop, we plan to shift our landfill strategy in fiscal year 2015 to balance sourcing additional volumes against improving pricing and returns at our landfills.

While we expect it will take several years for the capacity constraints in our markets to become acute, we do believe that pricing elasticity will begin to tighten in our market in fiscal year 2015, which could enable us to begin increasing disposal prices in excess of the Consumer Price Index in several of our markets.

We continue to work on strategies to source additional waste volumes to our landfills by increasing our geographic reach through the use of rail transportation and accessing new end-markets in Canada. In March 2014, we were awarded a $7.0 million grant from the Commonwealth of Pennsylvania to construct a rail siding and transfer station at our McKean landfill in McKean County, Pennsylvania. This landfill is currently permitted to accept 5,000 tons per day of waste by rail and 1,000 tons per day by truck. The grant will fund 70 percent of the total costs of the project; we expect to fund the remaining 30 percent of the total costs as the project is built out. We are currently working on a development plan to build-out the rail siding and off-loading infrastructure to access additional volumes at this site.

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Driving additional profitability at collection operations

Over the past five fiscal years, we have undertaken an effort to streamline our local collection operations into market areas, consolidate back-office functions to a shared services center and standardize and centralize key operating and pricing functions to our corporate office. Our initial focus with these efforts was to reduce costs, improve our service levels and more effectively price our services in each local market.

Our local collection teams have successfully moved pricing from an annual process to a core process that is continually reviewed and adjusted throughout the fiscal year. The division management and sales teams use our customer profitability analytics tool to calculate customer level profitability and increase pricing, where appropriate, to offset cost increases. We continue to yield success from our collection pricing programs (with commercial and residential collection price growth of 1.9% in fiscal year 2014), which remains in place going into fiscal year 2015.

Last fiscal year we successfully adjusted our sales force incentive compensation program to better support our efforts to drive responsibility to the local operating level. We introduced a uniform commission structure tracking and payment system to help our local teams administer customized commission structures for each sales representative, while maintaining a consistent system to track performance.

Collection routes are the basic building blocks of our solid waste business and we believe that it is imperative to ensure that each route is profitable and is covering the cost of truck and container capital. Last year we developed and launched a route profitability tool to help our operating teams analyze and improve their routing productivity.

In fiscal year 2015, we plan to increase the frequency of re-routing existing customers to improve efficiencies and take trucks off the road. We also plan to complete a company-wide evaluation (on an account by account basis) of existing customer service levels, service types, equipment selection and truck type selection to ensure that we are maximizing profitability and asset utilization. And as a final point, we plan to revamp our marketing and sales efforts to ensure that we are focusing on densifying existing routes. All together, we expect these efforts will reduce our operating costs and improve our capital efficiency.

Executing Eastern region strategy

We continue to execute our comprehensive strategy to improve the profitability and cash flows of our under-performing Eastern region. We have had success to date, demonstrated by our improved financial performance in the region, and believe that we are well positioned to further improve key financial metrics over the next two fiscal years.

This strategy focused on the following key initiatives to improve the asset mix and operating performance of the region:

- In January 2012, the Town of Bethlehem, New Hampshire voters approved a zoning change and resultant settlement of on-going litigation, allowing an expansion of approximately 1.7 million tons at our North Country Environmental Services (NCES) landfill in Bethlehem, New Hampshire. We have capitalized on this expansion at our NCES landfill by shifting waste volumes from the closed Maine Energy facility and by internalizing volumes from the Bestway Disposal Services and BBI Waste Services (BBI) acquisition.

In November 2012, we sold the low margin, capital intensive Maine Energy to the City of Biddeford, Maine for total consideration of $6.7 million being paid over 21 years. The Maine Energy facility was then permanently closed on December 31, 2012, and on January 2, 2013, we began transferring waste through our newly constructed transfer station in Westbrook, Maine to other disposal facilities, including our NCES landfill and our Southbridge landfill in Southbridge, Massachusetts.

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In December 2012, we completed the acquisition of all of the outstanding capital stock of BBI. BBI s operations overlay well with our footprint in New Hampshire and Maine and we expect the acquisition to drive incremental value from our existing operations through operational synergies and internalization benefits, and to provide a growth platform in several new market areas.

In January 2013, the Massachusetts Department of Environmental Protection increased the annual permit limit at our Southbridge landfill to approximately 0.4 million tons per year of municipal solid waste from the previous limit of 0.3 million tons per year of municipal solid waste. During fiscal year 2014, we began to increase waste volumes to this site and, due to the limited disposal capacity in the Massachusetts market, expect to continue to see improved performance at this site over the next several fiscal years.

In July 2013, we divested the low margin, capital intensive BioFuels C&D processing operation for total consideration of $2.0 million being paid in equal quarterly installments over five years commencing November 1, 2013.

In September 2013, the City of Concord, New Hampshire awarded us a ten-year contract granting us collection of residential curbside municipal solid waste and recycling, operation of the City of Concord s transfer station, other collection services, waste disposal and recycling processing. As part of this contract, we expect to internalize over 30,000 tons per year of municipal solid waste and recyclables to our disposal and recycling facilities. The collection contract starts in July 2014 and the disposal contract starts in January 2015.

In February 2014, we received a permit from the State of Maine to accept up to approximately 0.1 million tons of in-state municipal solid waste at the Juniper Ridge landfill. Although we are currently accepting municipal solid waste at the Juniper Ridge landfill under the conditions of the permit, we filed an appeal of those conditions with the Maine Board of Environmental Protection (MEBEP), stating that the permit provides for a smaller annual disposal limit than requested, as well as a shorter permit term than requested. This appeal was heard and decided by MEBEP on June 19, 2014, and the permit term was extended to March 31, 2018.

We expect to further improve operating performance in the Eastern region over the next two fiscal years as a result of the expiration of the high-cost out-of-market Ogden put-or-pay waste disposal contract in December 2014, pricing opportunities as the disposal market further tightens and further integration of our operations through a full suite of customer solutions.

Differentiating business with resource solutions

To complement our traditional solid waste offerings, we have developed a set of resource solutions and invested in select assets that enhance our ability to support emerging customer and market needs. Our resource solutions strategy seeks to leverage our core competencies in materials processing, industrial recycling, clean energy, and organics service offerings in order to generate additional value from the waste stream for our customers.

Our Customer Solutions group works with our major customer accounts, including multi-location customers, colleges and universities, municipalities, and industrial customers to develop customized solid waste solutions. The focus of this group is to help these large scale organizations achieve waste reduction and diversion goals to meet their economic and environmental objectives. We differentiate our services from our competitors by providing a personalized set of resource solutions, which enables us to win new business, including traditional solid waste collection and disposal customers. In fiscal year 2014, the Customer Solutions group represented our fastest growing business due primarily to growth in the high-return industrials sector.

As a key strategy to improve existing asset utilization and to advance our resource transformation strategy, we have invested in five Zero-Sort Recycling facilities that we own or operate under long-term operating agreements. With Zero-Sort Recycling, customers can commingle all of their recyclables (paper, cardboard, plastics, metals, and glass) into a right-sized residential container or commercial dumpster. By making it easier for a customer to recycle, we increase recycling participation and yields, thereby increasing volumes through the Zero-Sort Recycling facilities and enhancing asset utilization.

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We now have landfill gas-to-energy facilities at six of our landfills, with four of the landfill gas-to-energy facilities owned and operated by us and two owned and operated by partners. We consider the landfill gas-to-energy facilities to be complementary to our core landfill assets because they extract additional value from the methane gas that is captured at our landfills and support our low-emission landfill model.

Our Organics group has been working to develop and/or partner with firms that have developed innovative approaches to deriving incremental value from the organic portion of the waste stream. Through our Earthlife® soils products, we offer a wide array of recycled organic fertilizers, composts, and mulches that help our customers recycle organic waste streams. We have also recently invested in and partnered with AGreen Energy, LLC and BGreen Energy, LLC, innovative firms that are building small anaerobic digesters in the Northeast to generate electricity from farm and food waste streams.

Operational Overview

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

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

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

Material Recovery Facilities. Our MRFs receive, sort, bale and resell recyclable materials originating from the municipal solid waste stream, including newsprint, cardboard, office paper, glass, plastic, steel or aluminum containers and bottles. We operate six MRFs within our Recycling region in geographic areas served by our collection divisions. Revenues are received from municipalities and customers in the form of processing fees, tipping fees and commodity sales. These MRFs, two of which are located in Vermont, two in Massachusetts, and two in New York, are large-scale, high-volume facilities that process over 0.4 million tons per year of recycled materials delivered to them by municipalities and commercial customers under long-term contracts. We also operate smaller MRFs, which generally process recyclables collected from our various residential collection operations.

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

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The following table (in thousands) reflects the aggregate landfill capacity and airspace changes, in tons, as of April 30, 2014, 2013 and 2012, for landfills we operated during the fiscal years then ended:

	April 30, 2014			April 30, 2013			April 30, 2012		
	Estimated Remaining Permitted Capacity (1)	Estimated Additional Permittable Capacity (1)(2)	Estimated Total Capacity	Estimated Remaining Permitted Capacity (1)	Estimated Additional Permittable Capacity (1)(2)	Estimated Total Capacity	Estimated Remaining Permitted Capacity (1)	Estimated Additional Permittable Capacity (1)(2)	Estimated Total Capacity
Balance, beginning of year	34,780	75,936	110,716	39,593	78,415	118,008	41,678	79,194	120,872
New expansions pursued (3)		2,594	2,594						
Airspace consumed	(3,465)	(102)	(3,567)	(3,100)		(3,100)	(3,238)		(3,238)
Changes in engineering estimates (4)	(2,151)	2,097	(54)	(1,713)	(2,479)	(4,192)	1,153	(779)	374
Balance, end of year	29,164	80,525	109,689	34,780	75,936	110,716	39,593	78,415	118,008

(1) We convert estimated remaining permitted capacity and estimated additional permittable capacity from cubic yards to tons generally by assuming a compaction factor equal to the historic average compaction factor applicable to the respective landfill over the last three fiscal years. In addition to a total capacity limit, certain permits place a daily and/or annual limit on capacity.

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

(3) The change in airspace capacity in fiscal year 2014 relates to the determination of additional permittable airspace at our Southbridge and Chemung landfills.

(4) The change in airspace capacity in fiscal year 2014 and fiscal year 2013 is largely the result of the effect that compaction has had at our Western region landfills, based primarily on a change in waste mix within the three year average.

NCES. The NCES landfill in Bethlehem, New Hampshire serves the wasteshed of New Hampshire and certain wastesheds of Vermont, Maine and Massachusetts. NCES is one of only six operating permitted Subtitle D landfills in New Hampshire and is currently permitted to accept municipal solid waste and C&D material. Since the purchase of this landfill in 1994, we had experienced opposition from the Town of Bethlehem through the enactment of restrictive local zoning and planning ordinances. However, based on a series of agreements reached with the Town of Bethlehem during calendar year 2011, which agreements were approved at a town meeting on January 17, 2012, we have received all approvals from the Town of Bethlehem necessary to operate the landfill over an expanded footprint for an extended period of time, subject to periodic approval of minor permit modifications from the New Hampshire Department of Environmental Services. All litigation between the Town of Bethlehem and us was dismissed with prejudice, upon joint motion of the parties.

Waste USA. The Waste USA landfill in Coventry, Vermont serves the major wastesheds throughout Vermont. The landfill is the only operating permitted Subtitle D landfill in Vermont and is permitted to accept residential and commercially generated municipal solid waste, pre-approved sludges, soils and C&D material. On November 19, 2013, the Vermont Agency of Natural Resources increased the maximum annual permit limit to 0.6 million tons.

Clinton County. The Clinton County landfill in Schuyler Falls, New York serves the wastesheds of Clinton, Essex, Warren, Washington and Saratoga Counties in New York, along with certain contiguous Vermont wastesheds. This landfill is permitted to accept residential and commercially generated municipal solid waste, C&D material and certain special waste, which has been approved by regulatory agencies. In fiscal year 2009, the landfill received a permit for a multi-year landfill expansion, which provided considerable additional volume, and commenced operation of a landfill gas-to-energy facility, which has the capacity to generate 6.4 mW/hr of energy.

Juniper Ridge. On February 5, 2004, we completed transactions with the State of Maine and Georgia-Pacific Corporation (Georgia Pacific), pursuant to which the State of Maine took ownership of the Juniper Ridge landfill in West Old Town, Maine, formerly owned by Georgia Pacific, and we became the operator under a 30-year operating and services agreement between us and the State of Maine. The site is located on approximately 780 acres, with 68 acres currently dedicated for waste disposal. The site has sufficient acreage to permit the additional airspace required for the term of the 30-year operating and services agreement. The site was originally permitted to take waste originating from Maine, consisting of C&D material, ash from municipal solid waste incinerators and fossil fuel boilers, front end processed residuals and bypass municipal solid waste from waste-to-energy facilities, treatment plant sludge and biosolids, sandblast grits, oily waste and oil spill debris, and other approved special wastes from within Maine. Effective February 27, 2014, the Maine Department of Environmental Protection approved an amendment, with conditions, to the Juniper Ridge landfill license, for disposal of up to approximately 0.1 million tons of municipal solid waste per year through March 31, 2016. We filed an appeal with the MEBEP as the amended permit provides for a smaller annual disposal limit than we had requested, as well as a shorter permit term than we had requested. This appeal was heard and decided by MEBEP on June 19, 2014, and the permit term was extended to March 31, 2018. Outside of the limitations on municipal solid waste, there are no annual tonnage limitations at the Juniper Ridge landfill.

Southbridge. On November 25, 2003, we acquired Southbridge Recycling and Disposal Park, Inc. (Southbridge Recycling and Disposal). Southbridge Recycling and Disposal owns a 13-acre recycling facility and has a contract with the Town of Southbridge, Massachusetts to operate our Southbridge landfill, which is a 146-acre landfill currently permitted to accept residuals from the recycling facility and municipal solid waste. In June 2008, the Southbridge, Massachusetts Board of Health modified the Southbridge landfill site assignment to allow the site to receive municipal solid waste from communities other than Southbridge and to eventually increase the annual disposal volume from approximately 0.2 million tons per year to approximately 0.4 million tons per year. The Board of Health s decision was appealed by opponents of the Southbridge landfill, but was decided in our favor by the Massachusetts Supreme Judicial Court in February 2012**.** In January 2013, we received the final non-appealable permit allowing us to receive 0.4 million tons annually of municipal solid waste or processed C&D residual.

Hyland. The Hyland landfill in Angelica, New York serves certain wastesheds located throughout western New York. Hyland is permitted to accept residential and commercially generated municipal solid waste, C&D material and special waste. The site consists of approximately 624 acres, which represents considerable additional expansion capabilities. A permit for future expansion was issued in December 2006 for approximately 11.0 million cubic yards and we are currently seeking an additional 9.9 million cubic yards of permittable capacity. The landfill is currently permitted to accept approximately 0.3 million tons annually and has a minor modification pending with the New York State Department of Environmental Conservation to increase the annual capacity by 49%. In August 2008, the Hyland site commenced operation of a landfill gas-to-energy facility, which has the capacity to generate 4.8 mW/hr of energy. The Hyland landfill has nearby access to a rail siding and is being marketed to attract waste volumes shipped via rail.

Ontario. We entered into a 25-year operation, management and lease agreement with the Ontario County Board of Supervisors for the Ontario County landfill in the Town of Seneca, New York. We commenced operations on December 8, 2003. This landfill serves the central New York wasteshed and is strategically situated to accept long haul volume from both the eastern and downstate New York markets. The site consists of approximately 380 total acres with additional potential expansions to allow for acceptance of an estimated total of 12.2 million tons. During fiscal year 2008, we successfully requested and received a minor modification to increase our annual allowance of placed tons over the original permit of 0.6 million tons to 0.9 million tons. The Ontario site also houses a single stream recycling facility and a landfill gas-to-energy plant, which has the capacity to generate 11.2 mW/hr of energy.

Hakes. The Hakes C&D landfill in Campbell, New York is permitted to accept only C&D material. The landfill serves the rural wastesheds of western New York. During fiscal year 2008, we successfully requested and received a minor modification to increase our annual allowance of placed tons over the original permit of 0.3 million tons to 0.5 million tons. The Hakes landfill has nearby access to a rail siding and is being marketed to attract waste volumes shipped via rail.

Chemung. We entered into a 25-year operation, management and lease agreement with Chemung County for certain facilities located within the county utilized in the collection, management and disposal of solid waste, including the Chemung County municipal solid waste landfill and Chemung County C&D landfill in the Town of Chemung, New York. We commenced operations on September 19, 2005. Chemung serves the central and southern tier New York wastesheds and is strategically situated to accept long haul volume from both eastern and downstate New York markets. The site consists of approximately 38 active acres permitted to accept 0.2 million tons of municipal solid waste per year and 13 active acres permitted to accept approximately twenty thousand tons of C&D material per year. The landfill has further expansion capabilities of an additional 25 acres and an estimated 6.4 million tons. In addition, in April 2010 we successfully negotiated an amendment to the management and lease agreement allowing the annual tonnage to be increased to 0.4 million tons per year, subject to regulatory approval. In September 2011, we were successful in securing a minor modification to the existing permit to allow for an additional annual increase of sixty-thousand tons of municipal solid waste resulting in the annual permitted capacity stated above.

McKean. We acquired the McKean landfill, which was subject to bankruptcy reorganization, in February 2011. This landfill is located in Mount Jewett, McKean County, Pennsylvania and serves the Pennsylvania northern tier and New York southern tier wastesheds. The facility consists of 131 acres, of which 52 acres are dedicated to landfilling, and has a daily permitted capacity to receive one thousand tons. The site has more than 2.5 million cubic yards of remaining airspace with future expansion capacity for an additional 30 million cubic yards (including additional acreage). In March, 2014, the Commonwealth of Pennsylvania awarded a grant in the amount of $7.0 million to fund the construction of the rail siding at the landfill which once completed, will expand the market reach for the landfill to other rail capable transfer facilities and will allow the site to take advantage of a five thousand tons per day rail permit currently in effect. The landfill is well situated to provide services to the oil and gas industry currently exploring natural gas in the Marcellus Shale in the form of disposal capacity for the residuals.

Closure Projects. In April 2005, we started closure operations at the Worcester, Massachusetts landfill. These closure operations continued until October 2012, when the landfill was filled to its capacity. The landfill was closed from November 2012 until May 2013, when we were successful in securing a permit to accept an additional 0.2 million tons of waste at the landfill. We started placing these 0.2 million tons in June 2013 and accepted the final tons of waste in April 2014. We began final capping and closing the landfill in May 2014. The Worcester landfill is not included in the preceding table of landfill capacity.

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

Operating Segments

We manage our solid waste operations, which include a full range of solid waste services, on a geographic basis through two regional operating segments, which we designate as the Eastern and Western regions. Our third operating segment is Recycling, which comprises our larger-scale recycling operations and our commodity brokerage operations. Organic services, ancillary operations, major customer accounts, discontinued operations and earnings from equity method investees are included in our Other reportable segment. Segment data for fiscal years 2013 and 2012 has been revised to properly align with internal management reporting, which was modified in fiscal year 2014 as follows: to move Organics services from the Eastern region to the Other segment to reflect changes in management structure as these services have become integral to service offerings across our broader geographic solid waste footprint; and to move a smaller brokerage operation from the Eastern region to the Recycling segment to align with the rest of our brokerage operations. See Note 20 to our consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for a summary of revenues, certain expenses, profitability, capital expenditures, goodwill, and total assets of our operating segments.

Within each geographic region, we organize our solid waste services around smaller areas that we refer to as wastesheds. A wasteshed is an area that comprises the complete cycle of activities in the solid waste services

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process, from collection to transfer operations and recycling to disposal in landfills, some of which may be owned and or operated by third parties. We typically operate several divisions within each wasteshed, each of which provides a particular service, such as collection, recycling, disposal or transfer. Each division operates interdependently with the other divisions within the wasteshed. Each wasteshed generally operates autonomously from adjoining wastesheds.

Through the six MRFs and one commodity brokerage operation comprising the Recycling segment, Recycling provides services to our four anchor contracts, which have original terms ranging from five to twenty years and expire at various times through calendar year end 2028. The terms of each contract vary, but all of the contracts provide that the municipality or a third-party delivers materials to our facility. These contracts may include a minimum volume guarantee by the municipality. We also have service agreements with individual towns and cities and commercial customers, including small solid waste companies and major competitors that do not have processing capacity within a specific geographic region.

The following table provides information about each operating segment (as of May 31, 2014 except revenue information, which is for fiscal year 2014).

	Eastern Region	Western Region	Recycling	Other
Revenues (in millions)	$ 147.3	$ 216.9	$ 43.8	$ 89.6
Solid waste collection operations	15	20		
Transfer stations	14	28		
Recycling facilities	3	4	7	2
Subtitle D landfills	3	6		
Other disposal facilities		1		

Eastern region

The Eastern region consists of wastesheds located in Maine, southern and central New Hampshire and central and eastern Massachusetts. The Eastern region is vertically integrated, with transfer, landfill, processing and recycling assets serviced by our collection operations. In February 2013, we aligned management of the NCES landfill with the Eastern region. NCES had been historically aligned with the Western region. This move, combined with the permitting approvals at Southbridge, the opening of our transfer station in Westbrook, Maine, and the divestiture of Maine Energy, has helped reduce our overall reliance on waste-to-energy disposal capacity. Our December 2012 acquisition of BBI strengthened both our collection and transfer network in New Hampshire and Maine by adding three collection operations and four, either owned or operated, transfer stations, and contributing additional internalized solid waste and recycling volumes to our disposal facilities. In August 2013, we divested of our BioFuels C&D processing facility in Lewiston, Maine, allowing us to focus on our higher margin core businesses.

We entered the Maine market in 1996 and have grown organically and through small acquisitions transacted in the late 1990 s and early 2000 s. In 2004, we obtained the right to operate the Juniper Ridge landfill under a 30-year agreement with the State of Maine. In December, 2012 we acquired BBI, which gave us additional hauling and transfer capacity in southern Maine.

We entered the eastern Massachusetts and southern New Hampshire markets in 2000 and since have grown organically and through small acquisitions. In this market, we rely to a large extent on third-party disposal capacity, but our NCES landfill and other assets have provided additional opportunities to internalize volumes. We believe we can continue to increase internalization rates in eastern Massachusetts as well with the increased capacity at

Southbridge landfill. In December 2013, we acquired a transfer station in Oxford, Massachusetts, allowing greater operational flexibility for our solid waste and recycling collection operations. The facility is permitted to accept 650 tons per day and provides a source of volume for our Southbridge landfill.

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Western region

The Western region includes wastesheds located in Vermont, north and south western New Hampshire and eastern and upstate New York. The portion of eastern New York served by the Western region includes Clinton (operation of the Clinton County landfill), Franklin, Essex, Warren, Washington, Saratoga, Rennselaer and Albany counties.

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

While we have achieved market positions in some of the New York wastesheds, we remain focused on increasing our vertical integration through extension of our reach into new markets and managing new materials. Maximizing these logistics through the use of rail, once implemented, long haul trucks and trailer tippers at our facilities will increase our reach.

Recycling

Our Recycling segment is one of the largest processors and marketers of recycled materials in the northeastern United States, comprised of six MRFs that process and market recyclable materials that municipalities and commercial customers deliver under long-term contracts. Two of the six MRFs are leased, two are owned, and two are operated by us under contracts with third-parties. In fiscal year 2014, the Recycling segment processed and/or marketed over 0.5 million tons of recyclable materials including tons marketed through our commodity brokerage division and our baling facilities located throughout the footprint. Recycling s facilities are located in Vermont, New York, Maine, and Massachusetts.

A significant portion of the material provided to Recycling is delivered pursuant to four anchor contracts. The anchor contracts have an original term of five to twenty years and expire at various times through 2028. The terms of the recycling contracts vary, but all of the contracts provide that the municipality or a third-party delivers the recycled materials to our facility. Under the recycling contracts, we charge the municipality a fee for each ton of material delivered to us. Some contracts contain revenue sharing arrangements under which the municipality receives a specified percentage of our revenues from the sale of the recovered materials.

Our Recycling segment derives a significant portion of its revenues from the sale of recyclable materials. Since purchase and sale prices of recyclable materials, particularly newspaper, corrugated containers, plastics, ferrous and aluminum, can fluctuate based upon market conditions, we use long-term supply contracts with customers with floor price arrangements to reduce the commodity risk. Under such contracts, we obtain a guaranteed minimum price for the recyclable materials along with a commitment to receive higher prices if the current market price rises above the floor price. The contracts are generally with large domestic companies that use the recyclable materials in their manufacturing process, such as paper, packaging and consumer goods companies. In fiscal year 2014, 30% of the revenues from the sale of residential recyclable materials were derived from sales under long-term contracts which may include floor prices. We also hedge, when applicable, against fluctuations in the commodity prices of recycled paper and corrugated containers in order to mitigate the variability in cash flows and earnings generated from the sales of recycled materials at floating prices.

Other

Our Other segment derives a significant portion of its revenues from our Customer Solutions and Organics businesses. Our resource solutions strategy seeks to leverage our core competencies in materials processing, industrial recycling, clean energy, and organics service offerings in order to generate additional value from the waste stream for our customers.

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Our Customer Solutions group works with our major customer accounts, including multi-location customers, colleges and universities, municipalities, and industrial customers to develop customized solid waste solutions. The focus of this group is to help these large scale organizations achieve waste reduction and diversion goals to meet their economic and environmental objectives. We differentiate our services from our competitors by providing a personalized set of resource solutions, which enables us to win new business, including traditional solid waste collection and disposal customers. In fiscal year 2014, the Customer Solutions group represented our fastest growing business due primarily to growth in the high-return industrials sector.

Our Organics group has been working to develop and/or partner with firms that have developed innovative approaches to deriving incremental value from the organic portion of the waste stream. Through our Earthlife® soils products, we offer a wide array of recycled organic fertilizers, composts, and mulches that help our customers recycle organic waste streams. We have also recently invested in and partnered with AGreen Energy, LLC and BGreen Energy, LLC, innovative firms that are building small anaerobic digesters in the Northeast to generate electricity from farm and food waste streams.

Casella-Altela Regional Environmental Services, LLC

Casella-Altela Regional Environmental Services, LLC (CARES) is a joint venture that owns and operates a water and leachate treatment facility for the natural gas drilling industry in Pennsylvania. Our joint venture partner in CARES is Altela, Inc. As of April 30, 2014, our ownership interest in CARES is 51%. In accordance with Accounting Standards Codification (ASC) 810-10-15, we consolidate the assets, liabilities, noncontrolling interest and results of operations of CARES into our consolidated financial statements due to our controlling financial interest in the joint venture.

In April 2014, we initiated a plan to wind down the operations of CARES. As a result, it was determined that the carrying value of the assets of CARES was no longer recoverable and, as a result, the carrying value of the asset group was assessed for impairment. The impairment was measured based on the asset group s highest and best use under the market approach. We recorded an impairment charge of $7.5 million in fiscal year 2014 to the asset group of CARES in the Western region.

We plan to abandon the operations of CARES in fiscal year 2015, at which point it time we expect the results of operations to be recorded in discontinued operations.

Equity Method Investments

In the third quarter of fiscal year 2014, we sold our 50% membership interest in GreenFiber and purchased the remaining 50% membership of Tompkins County Recycling LLC (Tompkins), both of which were previously accounted for using the equity method of accounting.

In December 2013, we and Louisiana Pacific Corporation (LP) executed a purchase and sale agreement with a limited liability company formed by Tenex Capital Partners, L.P., pursuant to which we and LP agreed to sell our membership interests in GreenFiber for total cash consideration of $18.0 million plus an expected working capital true-up less any indebtedness and other unpaid transaction costs of GreenFiber as of the closing date. The transaction was completed for $19.2 million in gross cash proceeds, including a $1.2 million working capital adjustment. After netting indebtedness of GreenFiber and transaction costs, our 50% of the net cash proceeds amounted to $3.4 million. After considering the $0.6 million impact of our unrealized losses relating to derivative instruments in accumulated other comprehensive income (loss) on our investment in GreenFiber, we recorded a gain on sale of equity method investment of $0.6 million in the third quarter of fiscal year 2014.

Also in December, we purchased the remaining 50% membership interest of Tompkins for total cash consideration of $0.4 million. The acquisition-date fair value of our investment in Tompkins, which was determined using the cost approach based on an assessment of the price to purchase the acquired assets of

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Tompkins prior to the acquisition date, was $0.3 million. We recognized a gain of $0.1 million through loss from equity method investments due to the remeasurement. As a result of the purchase, we began including the accounts of Tompkins in our consolidated financial statements.

Competition

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

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

Marketing and Sales

We have fully integrated sales and marketing strategies with a primary focus on acquiring and retaining commercial, industrial, municipal and residential customers. Our business strategy focuses on creating a highly differentiated sustainable resource management model that meets customers unique needs and provides value beyond the curb .

Maintenance of a local presence and identity is an important aspect of our sales and marketing strategy, and many of our divisional managers are involved in local governmental, civic and business organizations. Our name and logo, or, where appropriate, that of our divisional operations, are displayed on all of our containers and trucks. We attend and make presentations at municipal and state meetings, and we advertise in a variety of media throughout our service footprint.

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

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

Employees

As of May 31, 2014, we employed approximately 1,800 people, including approximately 400 professionals or managers, sales, clerical, information systems or other administrative employees and approximately 1,400 employees involved in collection, transfer, disposal, recycling or other operations. Approximately 70 of our employees are covered by collective bargaining agreements. We believe relat