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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) June 10, 2019

Harsco Corporation
(Exact name of registrant as specified in its charter)

Delaware	001-03970	23-1483991
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

350 Poplar Church Road, Camp Hill, Pennsylvania	17011
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (717) 763-7064
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $1.25 per share	**HSC**	**New York Stock Exchange**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

Item 7.01 Regulation FD Disclosure.

On June 10, 2019, Harsco Corporation (the "Company") issued a press release announcing that it has commenced a private offering (the "Private Offering") of $500 million aggregate principal amount of senior unsecured notes due 2027 (the "Notes"). The Company also announced that it is seeking, concurrently with the Private Offering, to amend the credit agreement governing its senior secured credit facility that would, among other things, (i) increase its revolving credit facility by $200 million, (ii) extend the maturity of its revolving credit facility to June 2024, (iii) reduce the interest rate margins and commitment fees applicable to its revolving credit loans, and (iv) adjust certain covenants (the "Amendment"). The full text of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference. There can be no assurance that the Company will be able to complete either the Private Offering or the Amendment on terms and conditions favorable to it or at all, and the Company may decide to not pursue either or both of the Private Offering and the Amendment before completion. The Private Offering is being made in connection with the Company's previously announced acquisition (the "Acquisition") of CEHI Acquisition Corporation ("Clean Earth"). The consummation of the Private Offering is conditioned on the contemporaneous closing of the Acquisition.

In connection with the proposed Private Offering, the Company provided potential investors with a preliminary offering circular, dated June 10, 2019 (the "Preliminary Offering Circular"). The Preliminary Offering Circular contains (i) certain information not previously disclosed by the Company, (ii) unaudited pro forma condensed combined financial information and notes thereto giving effect to the Company's pending acquisition of Clean Earth and the other transactions described therein, (iii) audited financial statements of Clean Earth as of and for the years ended December 31, 2018 and 2017 and notes thereto and (iv) the unaudited consolidated financial statements of Clean Earth as of and for the three months ended March 31, 2019 and 2018 and notes thereto. This information is included in Exhibits 99.2, 99.3, 99.4 and 99.5 attached hereto, respectively.

The information in Item 7.01 on this Current Report on Form 8-K and Exhibits 99.1, 99.2, 99.3, 99.4 and 99.5 attached hereto is being furnished pursuant to Item 7.01 of Form 8-K and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, nor shall any such information or exhibits be deemed incorporated by reference in any filing under the Exchange Act or the Securities Act of 1933, as amended (the "Securities Act").

The information filed in this Form 8-K pursuant to Item 7.01, including the information contained in Exhibits 99.1, 99.2, 99.3, 99.4 and 99.5 is neither an offer to sell nor a solicitation of an offer to buy any of the Notes in the Private Offering.

Forward-Looking Statements

This communication contains forward-looking statements based on management's current expectations, estimates and projections. The nature of the Company's business and the many countries in which it operates subject it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. In accordance with the "safe harbor" provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, the Company provides the following cautionary remarks regarding important factors that, among others, could cause future results to differ materially from the results contemplated by forward-looking statements, including the expectations and assumptions expressed or implied herein. Forward-looking statements contained herein could include, among other things, statements about management's confidence in and strategies for performance; expectations for new and existing products, technologies and opportunities; and expectations regarding growth, sales, cash flows, and earnings. Forward-looking statements can be identified by the use of such terms as "may," "could," "expect," "anticipate," "intend," "believe," "likely," "estimate," "outlook," "plan" or other comparable terms.

Factors that could cause actual results, developments and business decisions to differ, perhaps materially, from those implied by forward-looking statements include, but are not limited to: (1) changes in the worldwide business environment in which we operate, including general economic conditions; (2) unforeseen business disruptions in one or more of the many countries in which we operate due to political instability, civil disobedience, armed hostilities, public health issues or other calamities; (3) the seasonal nature of our business; (4) the financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability; (5) the outcome of any disputes with customers, contractors and subcontractors; (6) changes in currency exchange rates, interest rates, commodity and fuel costs and capital costs; (7) market and competitive changes, including pricing pressures, market demand and acceptance for new products, services and technologies; (8) changes in governmental laws and regulations, including environmental, occupational health and safety, tax and import tariff standards; (9) changes in the performance of equity and bond markets that could affect, among other things, the valuation of the assets in our pension plans and the accounting for pension assets, liabilities and expenses; (10) the integration of our strategic acquisitions; (11) our ability to successfully enter into new contracts and complete new acquisitions or strategic ventures in the time-frame contemplated, or at all; (12) disruptions associated with labor disputes and increased operating costs associated with union organization; (13) failure to effectively prevent, detect or recover from breaches in our cybersecurity infrastructure; (14) our inability or failure to protect our intellectual property rights from infringement in one or more of the many countries in which we operate; (15) implementation of environmental remediation matters, particularly with regards to Clean Earth; (16) risk and uncertainty associated with intangible assets; (17) the amount and timing of repurchases of our common stock, if any; (18) the occurrence of any event, change or other circumstances that could give rise to the termination of the definitive agreements entered into for the Acquisition and the sale of Harsco Industrial's Air-X-Changers (the "Asset Sale"); (19) failure to realize the growth opportunities and operational synergies that are anticipated from the Acquisition, and/or the costs of integrating Clean Earth into our business may exceed our expectations; (20) the pendency of the Acquisition and the Asset Sale could adversely affect our business, financial results and operations; (21) our actual financial position and results of operations may differ materially from the unaudited pro forma financial information included in this communication; (22) our ability to obtain or renew operating permits or license agreements of Clean Earth; (23) failure to retain key management and employees of Clean Earth and its subsidiaries; (24) risks related to our indebtedness; (25) risks related to the notes and to high yield debt securities generally; (26) potential severe volatility in the capital markets and the impact on our costs to obtain debt financing as may be necessary to consummate the Acquisition; and (27) other risk factors listed in this communication and from time to time in our SEC reports. A further discussion of these, along with other potential risk factors, can be found in Part I, Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and the risk factors in Exhibit 99.2 which are incorporated by reference.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. There can be no assurance that (i) we have correctly measured or identified all factors affecting our business or the extent of these factors' likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, particularly the Acquisition and the Asset Sale, which is based in part on this analysis, will be successful. The factors above should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this communication. All forward-looking statements in this communication apply only as of the date of this communication or as of the date they were made and we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release of Harsco Corporation, dated June 10, 2019, announcing the launch of the Private Offering.
99.2	Portions of the Preliminary Offering Circular, dated June 10, 2019, prepared in connection with the Private Offering.
99.3	Unaudited Pro Forma Financial Statements, together with the notes thereto, from the Preliminary Offering Circular, dated June 10, 2019, prepared in connection with the Private Offering.
99.4	Audited Financial Statements of CEHI Acquisition Corporation as of December 31, 2018 and 2017 and for the years ended December 31, 2018 and 2017.
99.5	Unaudited Consolidated Financial Statements of CEHI Acquisition Corporation as of March 31, 2019 and for the three months ended March 31, 2019 and 2018.

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 hereunto duly authorized.

HARSCO CORPORATION

Date: June 10, 2019

/s/ Russell C. Hochman

Name: Russell C. Hochman

Title: Senior Vice President and General Counsel, Chief Compliance Officer & Corporate Secretary

HARSCO

PRESS RELEASE

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Harsco Announces Launch of Private Offering of $500 Million of Senior Unsecured Notes Due 2027

CAMP HILL, PA – June 10, 2019 – Harsco Corporation (NYSE: HSC) announced today that it intends to offer, subject to market and other conditions, $500 million in aggregate principal amount of senior unsecured notes due 2027 (the "Notes") in a private offering (the "Private Offering") that is exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act").

Harsco intends to use the net proceeds from the Private Offering to fund, together with borrowings under its revolving credit facility, the purchase price of the previously announced pending acquisition (the "Acquisition") of CEHI Acquisition Corporation ("Clean Earth"). The closing of the Private Offering is contingent upon the closing of the Acquisition.

The Notes will be guaranteed on a senior unsecured basis, jointly and severally, by all of Harsco's wholly owned U.S. subsidiaries that guarantee its senior secured credit facility.

The Notes will be offered and sold to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons outside the United States pursuant to Regulation S under the Securities Act.

The Notes have not been and will not be registered under the Securities Act or applicable state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and applicable state laws.

This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes or any other securities and shall not constitute an offer, solicitation or sale in any state or jurisdiction in which such offer, solicitation, or sale is unlawful.

Harsco is also seeking, concurrently with the Private Offering, to amend the credit agreement governing its senior secured credit facility that would (i) increase its revolving credit facility by $200 million, (ii) extend the maturity of its revolving credit facility to June 2024, (iii) reduce the interest rate margins and commitment fees applicable to its revolving credit loans, and (iv) adjust certain covenants (the "Amendment"). The closing of each of the Private Offering and the Acquisition is not conditioned upon the consummation of the Amendment and there can be no assurance that Harsco will be able to enter into the Amendment to amend any of the foregoing terms. There can be no assurance that the Harsco will consummate either of the Private Offering or the Amendment on favorable terms or at all.

About Harsco Corporation

Harsco Corporation a global market leader providing environmental solutions for industrial waste streams and innovative technologies for the rail and energy sectors. Based in Camp Hill, PA, the 11,000-employee company operates in more than 30 countries. Harsco's common stock is a component of the S&P SmallCap 600 Index and the Russell 2000 Index. Additional information can be found at www.harsco.com.

FORWARD LOOKING STATEMENTS

This communication contains forward-looking statements based on management's current expectations, estimates and projections. The nature of the Company's business and the many countries in which it operates subject it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. In accordance with the "safe harbor" provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, the Company provides the following cautionary remarks regarding important factors that, among others, could cause future results to differ materially from the results contemplated by forward-looking statements, including the expectations and assumptions expressed or implied herein. Forward-looking statements contained herein could include, among other things, statements about management's confidence in and strategies for performance; expectations for new and existing products, technologies and opportunities; and expectations regarding growth, sales, cash flows, and earnings. Forward-looking statements can be identified by the use of such terms as "may," "could," "expect," "anticipate," "intend," "believe," "likely," "estimate," "outlook," "plan" or other comparable terms.

Factors that could cause actual results, developments and business decisions to differ, perhaps materially, from those implied by forward-looking statements include, but are not limited to: (1) changes in the worldwide business environment in which we operate, including general economic conditions; (2) unforeseen business disruptions in one or more of the many countries in which we operate due to political instability, civil disobedience, armed hostilities, public health issues or other calamities; (3) the seasonal nature of our business; (4) the financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability; (5) the outcome of any disputes with customers, contractors and subcontractors; (6) changes in currency exchange rates, interest rates, commodity and fuel costs and capital costs; (7) market and competitive changes, including pricing pressures, market demand and acceptance for new products, services and technologies; (8) changes in governmental laws and regulations, including environmental, occupational health and safety, tax and import tariff standards; (9) changes in the performance of equity and bond markets that could affect, among other things, the valuation of the assets in our pension plans and the accounting for pension assets, liabilities and expenses; (10) the integration of our strategic acquisitions; (11) our ability to successfully enter into new contracts and complete new acquisitions or strategic ventures in the time-frame contemplated, or at all; (12) disruptions associated with labor disputes and increased operating costs associated with union organization; (13) failure to effectively prevent, detect or recover from breaches in our cybersecurity infrastructure; (14) our inability or failure to protect our intellectual property rights from infringement in one or more of the many countries in which we operate; (15) implementation of environmental remediation matters, particularly with regards to Clean Earth; (16) risk and uncertainty associated with intangible assets; (17) the amount and timing of repurchases of our common stock, if any; (18) the occurrence of any event, change or other circumstances that could give rise to the termination of the definitive agreements entered into for Acquisition and the sale of Harsco Industrial's Air-X-Changers (the "Asset Sale"); (19) failure to realize the growth opportunities and operational synergies that are anticipated from the Acquisition, and/or the costs of integrating Clean Earth into our business may exceed our expectations; (20) the pendency of the Acquisition and the Asset Sale could adversely affect our business, financial results and operations; (21) our actual financial position and results of operations may differ materially from the unaudited pro forma financial information included in this communication; (22) our ability to obtain or renew operating permits or license agreements of Clean Earth; (23) failure to retain key management and employees of Clean Earth and its subsidiaries; (24) risks related to our indebtedness; (25) risks related to the notes and to high yield debt securities generally; (26) potential severe volatility in the capital markets and the impact on our costs to obtain debt financing as may be necessary to consummate the Acquisition; and (27) other risk factors listed in this communication and from time to time in our SEC reports. A further discussion of these, along with other potential risk factors, can be found in Part I, Item 1A, “Risk Factors,” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 and in Exhibit 99.2 of the Company’s Form 8-K filed June 10, 2019 with the SEC.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. There can be no assurance that (i) we have correctly measured or identified all factors affecting our business or the extent of these factors’ likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, particularly the Acquisition and the Asset Sale, which is based in part on this analysis, will be successful. The factors above should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this communication. All forward-looking statements in this communication apply only as of the date of this communication or as of the date they were made and we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

BASIS OF PRESENTATION

Unless otherwise indicated or the context otherwise requires, references herein to "we," "our," "us," "the Company" and "Harsco" refer to Harsco Corporation and each of its consolidated subsidiaries, and the "Issuer" refers to Harsco Corporation and not any of its subsidiaries.

On May 8, 2019, we, solely in our capacity as guarantor, and Calrissian Holdings, LLC, a Delaware limited liability company and our wholly owned subsidiary ("CH LLC"), entered into a stock purchase agreement (the "Acquisition Agreement") with CEHI Acquisition Corporation, a Delaware corporation ("Clean Earth"), the holders of stock and options in Clean Earth (the "Sellers") and Compass Group Diversified Holdings LLC, a Delaware limited liability company (the "Sellers' Representative"), in its capacity as representative of the Sellers (the "Acquisition"). Also on May 8, 2019, we entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") to sell the Air-X-Changers business ("Air-X-Changers"). Our audited annual consolidated financial statements as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 have not been retroactively revised to reflect the Acquisition or the Asset Sale. Similarly our unaudited consolidated financial statements as of March 31, 2019 and for the three months ended March 31, 2019 and 2018 have not been retroactively revised to reflect the Acquisition or the Asset Sale.

USE OF NON-GAAP MEASURES

EBITDA, Adjusted EBITDA, Further Adjusted EBITDA, Free Cash Flow and Free Cash Flow before growth capital expenditures as presented herein, are examples of measures of performance not defined under U.S. generally accepted accounting principles ("U.S. GAAP"). EBITDA represents operating performance based on income from continuing operations before interest expense, net, income tax expense (benefit), and depreciation and amortization as well as equity in (income) loss of unconsolidated entities, net, change in fair value to the unit adjustment liability and loss on dilution and sale of equity method investment, loss on early extinguishment of debt, and defined benefit pension (income) expense. Adjusted EBITDA is calculated using EBITDA adjusted further by (i) eliminating items of non-operating income or expense, (ii) eliminating the impact of certain non-cash and other items that are included in net income for the period that we do not consider indicative of our ongoing operating performance and (iii) eliminating certain unusual items impacting results in a particular period to more accurately reflect management's view of the recurring profitability of the business. Further Adjusted EBITDA is calculated using Adjusted EBITDA adjusted further to give pro forma effect to the Transactions (as defined below) and prospective synergies. Free Cash Flow is calculated as Net cash provided by operating activities less capital expenditures and plus capital expenditures for strategic ventures and total proceeds from sales of assets. Free Cash Flow before growth capital expenditures is defined as Net cash provided by operating activities, less capital expenditures, plus capital expenditures for strategic ventures, plus total proceeds from sales of assets, plus growth capital expenditures.

You are encouraged to evaluate these measures and the reasons we consider them appropriate for supplemental analysis. Additionally, certain of the adjustments included to arrive at Further Adjusted EBITDA are based on projections and estimates of expected costs related to the Transactions, cost savings and synergies and are forward-looking in nature. In evaluating EBITDA, Adjusted EBITDA, Further Adjusted EBITDA, Free Cash Flow and Free Cash Flow before growth capital expenditures you should be aware that in the future we may incur expenses that are the same as or similar to some of the included adjustments. Our presentation of EBITDA, Adjusted EBITDA, Further Adjusted EBITDA and Free Cash Flow and Free Cash Flow before growth capital expenditures should not be construed as an inference that our future results will be unaffected by any of the adjusted items, or that our projections and estimates will be realized in their entirety or at all.

We believe that each of EBITDA, Adjusted EBITDA, Further Adjusted EBITDA, Free Cash Flow and Free Cash Flow before growth capital expenditures as described herein enhances an investor's understanding of our financial performance and provides an overall understanding of our historical and future prospects. We believe each of these measures is a useful financial metric to assess our operating performance from period to period and we use these measures for business planning purposes. Our management also believes EBITDA, Adjusted EBITDA, Further Adjusted EBITDA, Free Cash Flow and Free Cash Flow before growth capital expenditures are useful to investors because they and similar measures are frequently used by securities analysts, investors, ratings agencies and other interested parties to evaluate our competitors and to measure the ability of companies to service their debt. In addition, we believe each of these measures permits evaluation and comparison of results for our core business operations, and it is on this basis that management internally assesses our performance. Non-GAAP financial measures should not be construed as being more important than comparable U.S. GAAP measures.

Our management believes that Free Cash Flow, which is a non-GAAP financial measure, is meaningful to investors because management reviews cash flows generated from operations less capital expenditures net of asset sales proceeds for planning and performance evaluation purposes. Our management also believes that Free Cash Flow before growth capital expenditures, which is a non-GAAP financial measure, is meaningful to investors because management uses this as a key factor in the deployment of capital for strategic planning purposes. It is important to note that Free Cash Flow and Free Cash Flow before growth capital expenditures do not represent the total residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements and settlements of foreign currency forward exchange contracts, are not deducted from these measures. These measures have limitations as analytical tools, and you should not consider them in isolation or as alternatives to cash flow from operating activities or any other liquidity measure determined in accordance with U.S. GAAP. You are encouraged to evaluate each adjustment and the reasons we consider it appropriate for supplemental analysis. In addition, in evaluating Free Cash Flow, you should be aware that in the future, we may incur expenditures similar to the adjustments in the presentation of Free Cash Flow. In addition, these measures may not be comparable to similarly titled measures used by peer companies or across different industries.

Moreover, under the credit agreement (the "Credit Agreement") governing our revolving credit facility (the "Revolving Credit Facility") and term loan facility (the "Term Loan Facility" and together with the Revolving Credit Facility, the "Senior Secured Credit Facility"), and the agreement that will govern the private financing transaction, our ability to engage in certain activities, such as incurring certain additional indebtedness, making certain investments, and paying certain dividends, is tied to ratios based on Adjusted EBITDA (which is defined as "Consolidated EBITDA" in the Credit Agreement and "EBITDA" in the agreement that will govern the private financing transaction). These definitions may vary from Adjusted EBITDA and Further Adjusted EBITDA that we present herein.

Because not all companies use identical calculations, our presentation of EBITDA, Adjusted EBITDA and Further Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. EBITDA, Adjusted EBITDA and Further Adjusted EBITDA have important limitations as analytical tools, and investors should not consider them in isolation or as substitutes for analysis of our results as reported under U.S. GAAP. For example, EBITDA, Adjusted EBITDA and Further Adjusted EBITDA:

- exclude certain tax obligations that may represent a reduction in cash available to us;
- do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- do not reflect changes in, or cash requirements for, our working capital needs; and
- do not reflect the significant interest expense, or the cash requirements, necessary to service our debt interest and principal payments.

We define Clean Earth EBITDA as net income (loss) before interest expense, income (expense) for income taxes, and depreciation and amortization ("Clean Earth EBITDA"), which is further adjusted for certain other items ("Clean Earth Adjusted EBITDA"). We define Clean Earth Further Adjusted EBITDA as Clean Earth Adjusted EBITDA, which is further adjusted for certain other items, including costs related to facility closures ("Clean Earth Further Adjusted EBITDA"). Each of Clean Earth EBITDA, Clean Earth Adjusted EBITDA and Clean Earth Further Adjusted EBITDA is not defined under U.S. GAAP, is not a measure of operating income, operating performance, or liquidity presented in accordance with U.S. GAAP, and is subject to important limitations as an analytical tool, and investors should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. We present Clean Earth EBITDA, Clean Earth Adjusted EBITDA and Clean Earth Further Adjusted EBITDA in order to provide supplemental information that we consider relevant for the readers of its financial statements, and such information is not meant to replace or supersede U.S. GAAP measures. Because not all companies use identical calculations, our presentation of Clean Earth EBITDA, Clean Earth Adjusted EBITDA and Clean Earth Further Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. Investors should be aware that Clean Earth EBITDA, Clean Earth Adjusted EBITDA and Clean Earth Further Adjusted EBITDA may not be entirely comparable to our presentation of EBITDA and Adjusted EBITDA.

We define Clean Earth Free Cash Flow before growth capital expenditures as Net cash provided by operating activities less capital expenditures, plus total proceeds from asset sales plus growth capital expenditures. See the discussion above regarding our use of Free Cash Flow.

We present Adjusted EBITDA for Air-X-Changers herein, which is a non-GAAP measure. We define Adjusted EBITDA for Air-X-Changers as income from continuing operations of Air-X-Changers as adjusted for income tax expenses, interest expense, depreciation and amortization, stock compensation and other adjustments. We present Adjusted EBITDA for Air-X-Changers in order to provide supplemental information that we consider relevant in presenting our Further Adjusted EBITDA to reflect the Asset Sale.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that reflect our current views with respect to, among other things, our operations and financial performance, and include statements concerning the Acquisition and the anticipated benefits of the Acquisition, the incurrence of additional indebtedness that we intend to obtain to finance the purchase price of the Acquisition, as well as the consummation of the Asset Sale and the anticipated benefits of the Asset Sale. Forward-looking statements include all statements that are not historical facts. In some cases, you can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. These statements are based on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments, and other factors they believe to be appropriate. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual timing, outcomes, or results to differ materially from those indicated in these statements.

Factors that could cause actual results, developments and business decisions to differ, perhaps materially, from those implied by forward-looking statements include, but are not limited to:

- changes in the worldwide business environment in which we operate, including general economic conditions;
- unforeseen business disruptions in one or more of the many countries in which we operate due to political instability, civil disobedience, armed hostilities, public health issues or other calamities;
- the seasonal nature of our business;
- the financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability;
- the outcome of any disputes with customers, contractors and subcontractors;
- changes in currency exchange rates, interest rates, commodity and fuel costs and capital costs;
- market and competitive changes, including pricing pressures, market demand and acceptance for new products, services and technologies;
- changes in governmental laws and regulations, including environmental, occupational health and safety, tax and import tariff standards;
- changes in the performance of equity and bond markets that could affect, among other things, the valuation of the assets in our pension plans and the accounting for pension assets, liabilities and expenses;
- the integration of our strategic acquisitions;
- our ability to successfully enter into new contracts and complete new acquisitions or strategic ventures in the time-frame contemplated, or at all;
- disruptions associated with labor disputes and increased operating costs associated with union organization;
- failure to effectively prevent, detect or recover from breaches in our cybersecurity infrastructure;
- our inability or failure to protect our intellectual property rights from infringement in one or more of the many countries in which we operate;
- implementation of environmental remediation matters, particularly with regards to Clean Earth;
- risk and uncertainty associated with intangible assets;
- the amount and timing of repurchases of our common stock, if any;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the definitive agreements entered into for the Acquisition and the Asset Sale;
- failure to realize the growth opportunities and operational synergies that are anticipated from the Acquisition, and/or the costs of integrating Clean Earth into our business may exceed our expectations;
- the pendency of the Acquisition and the Asset Sale could adversely affect our business, financial results and operations;
- our actual financial position and results of operations may differ materially from the unaudited pro forma financial information;

- our ability to obtain or renew operating permits or license agreements of Clean Earth;
- failure to retain key management and employees of Clean Earth and its subsidiaries;
- risks related to our indebtedness;
- risks related to the private financing transaction and to similar private financing transactions generally;
- potential severe volatility in the capital markets and the impact on our costs to obtain debt financing as may be necessary to consummate the Acquisition; and
- other risk factors listed herein and from time to time in our SEC reports.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. There can be no assurance that (i) we have correctly measured or identified all factors affecting our business or the extent of these factors' likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, particularly the Acquisition and the Asset Sale, which is based in part on this analysis, will be successful. The factors above should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein. All forward-looking statements included herein apply only as of the date hereof or as of the date they were made and we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

SUMMARY

This summary highlights selected information about us and does not contain all information that you should consider. You should read this document together with the sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2018 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2019 and the Unaudited Pro Forma Financial Statements.

OUR COMPANY

We are a diversified, multinational provider of industrial environmental services and engineered products serving global industries that are fundamental to worldwide economic growth and infrastructure development.

Historically, our operations have consisted of three operating segments: Harsco Metals & Minerals, Harsco Industrial and Harsco Rail. As described herein, on May 8, 2019, we entered into a definitive agreement to acquire Clean Earth and, upon consummation of the Acquisition, Clean Earth will be added as a fourth operating segment, which we refer to as Harsco Clean Earth herein. Concurrently with the announcement of the Acquisition, we also announced that we had entered into a definitive agreement to sell Air-X-Changers, a business in Harsco Industrial, to Chart Industries, Inc. (the "Asset Sale"). See "—Recent Developments—Acquisition of Clean Earth" and "—Recent Developments—Sale of Air-X-Changers" for additional information on these transactions. References herein to pro forma financial information give effect to the private debt financing and borrowings under our Revolving Credit Facility, as well as the use of proceeds therefrom, including the consummation of each of the Acquisition and the Asset Sale and related transactions and the payment of fees and expenses related thereto (collectively, the "Transactions"). In addition, on May 30, 2019, we announced that our Harsco Metals & Minerals segment was rebranded Harsco Environmental and it is referred to as such herein.

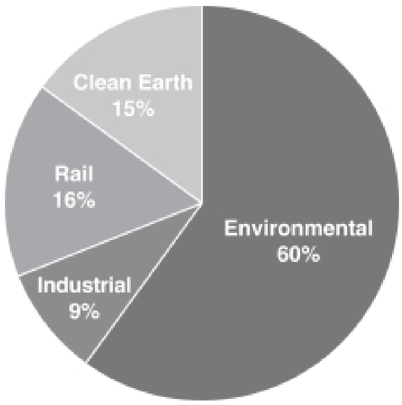
In general, we believe that each of our existing segments and Harsco Clean Earth are among the global market leaders in their respective sectors.

- **Harsco Environmental**: provides on-site environmental services including resource recovery from steel and metal manufacturing, and material logistics; provides value added environmental solutions for industrial byproducts; extracts high-value metallic content from stainless steel by-products and specializes in the development of minerals technologies for commercial applications; sells road base materials and manufactures high performance asphalt products.
- **Harsco Clean Earth**: provides environmental services for a variety of contaminated materials including soils, dredged material, and hazardous waste; analyzes, treats, documents and recycles waste streams generated in multiple end markets such as utilities, infrastructure, chemicals, aerospace and defense, non-public and private development, medical, industrial and dredging.
- **Harsco Rail**: provides highly engineered maintenance equipment, after-market parts and safety and diagnostic systems which support railroad and transit customers worldwide.
- **Harsco Industrial**: supplies custom-engineered and manufactured air-cooled heat exchangers that support the processing and distribution of natural gas and downstream refined products; manufactures a full range of metal bar grating configurations, used mainly in industrial flooring, as well as safety and security applications; and also manufactures energy-efficient heat transfer products such as boilers and water heaters, for various commercial and industrial applications.

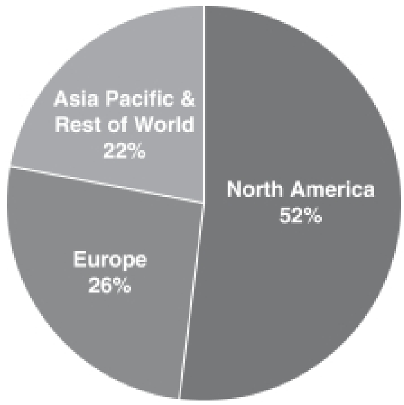
As of March 31, 2019, we employed approximately 10,400 employees across our various locations which span approximately 30 countries. Following the consummation of the Acquisition and the Asset Sale, we do not expect the number of our employees to change significantly.

The diversification of our revenues on a segment and geographical basis, on a pro forma basis after giving effect to the Transactions, is outlined below for the year ended December 31, 2018.

Pro Forma Revenues by Operating Segment (2018)



Pro Forma Revenues by Geography (2018)



For the twelve months ended March 31, 2019, on a pro forma basis after giving effect to the Transactions, we had total revenues of \$1,794.9 million, income from continuing operations of \$116.3 million, and Further Adjusted EBITDA of \$331.4 million. See “—Summary Unaudited Pro Forma and Historical Consolidated Financial Information—Summary Unaudited Pro Forma Consolidated Financial Information” for a reconciliation of income from continuing operations to Further Adjusted EBITDA.

OUR OPERATING SEGMENTS

Harsco Environmental

Harsco Environmental (formerly known as Harsco Metals & Minerals) is one of the world's largest providers of on-site environmental services including resource recovery from steel and metal manufacturing, and material logistics in approximately 30 countries, with the largest operations focused in the United States, France, the United Kingdom, Brazil and China. These operations are linked to customer operations and the performance of services enables the customer to focus on their core business. We have approximately 70 customers globally and operate across approximately 145 sites, some of which span multiple long-term contracts. We operate generally under long-term contracts with high renewal rates, and in many cases the segment has operated at a customer location for several decades.

We also provide value added environmental solutions for industrial byproducts. For example, we produce industrial abrasives and roofing granules from power-plant utility coal slag at several locations throughout the United States. Our BLACK BEAUTY® abrasives are used for industrial surface preparation, such as rust removal and cleaning of bridges, ship hulls and various structures. Roofing granules are sold to residential roofing shingle manufacturers in the United States, primarily for the replacement roofing market. This business is one of the largest U.S. producers of slag abrasives and residential roofing granules. Additionally, we are able to extract high-value metallic content from stainless steel by-products and specialize in the development of minerals technologies for commercial applications, including agriculture fertilizers, by providing over 40 services across the steel production value chain. We also sell road base materials and manufacture high performance asphalt products, branded under SteelPhalt, for the U.K. road-making market. We have also undertaken several initiatives focused on developing greater environmental sustainability through the recovery of resources from byproducts and related streams.

The principal business drivers of Harsco Environmental are global metals production and capacity utilization; outsourcing of services by metals producers; demand for high-value specialty steel and ferro alloys; demand for environmental solutions for metals and minerals byproduct streams; demand for industrial and infrastructure surface preparation and restoration; demand for residential roofing shingles; and demand for road making materials. The key competitive factors in this segment are innovative resource recovery solutions, significant industry experience, technology, safety performance, and service quality. Harsco Environmental competes principally with a number of privately-held businesses for services outsourced by customers. Additionally, due to the nature of this segment's services, it encounters a certain degree of competition from customers' desire to perform similar services themselves instead of using an external solution.

As of March 31, 2019, our metals services contracts had estimated contracted revenues of $3.2 billion at current production levels, compared to $3.1 billion and $2.8 billion at December 31, 2018 and 2017, respectively. Since 2016, we added 30 new contracts with an average term of 10 years, creating additional expected future revenue of approximately $1.1 billion. Our operations are geographically diversified, for the year ended December 31, 2018, approximately 28% of the segment's revenues originated in North America, 37% in Western Europe, 14% in Latin America, 14% in Asia Pacific, 5% in the Middle East and Africa, and 3% in Eastern Europe.

Harsco Clean Earth

Harsco Clean Earth, which will become our fourth operating segment once the Acquisition is consummated, is one of the largest specialty waste processing companies in the United States, providing processing and beneficial reuse solutions for hazardous wastes, contaminated materials, and dredged volumes. We analyze, treat, document and recycle waste streams generated across many diverse end markets in the infrastructure, industrial, commercial and institutional sectors. Harsco Clean Earth is a leader in the hazardous waste processing market, and is the largest operator in the contaminated materials and dredged material management market, operating 27 permitted facilities in the United States. We estimate that the U.S. addressable market for Harsco Clean Earth is approximately $8 billion, comprised of 63% hazardous waste, 33% contaminated materials and 4% dredged material management at December 31, 2018. We currently maintain a portfolio of more than 200 scarce and difficult-to-replicate permits with a 100% permit renewal success rate, to date. This operating segment employed approximately 600 hourly and salaried employees located throughout the United States at December 31, 2018.

Harsco Clean Earth operates across three business lines:

- ***Hazardous Waste*** business line provides tracking, testing, processing, recycling, and disposal services for hazardous waste streams, which accounted for 40% of Harsco Clean Earth revenues for the year ended December 31, 2018. The segment offers a wide-range of unique treatment and disposal offerings for hazardous waste across nine treatment, storage, and disposal facilities ("TSDFs") and 220 process codes throughout the United States.
- ***Contaminated Materials*** business line treats contaminated soil generated from industrial activities representing 51% of revenues for the year ended December 31, 2018. Harsco Clean Earth has 25 years of experience treating contaminated materials for recycling and beneficial reuse. Harsco Clean Earth processes and recycles approximately four million tons of contaminated materials per year across 14 facilities.
- ***The Dredged material*** business line treats dredged material from both maintenance activities and environmental-driven projects and represented 9% of total revenues for the year ended December 31, 2018. Harsco Clean Earth is the largest dredge material processing and beneficial reuse company in the New York / New Jersey Harbor.

This segment provides services to a variety of customers and handles unique materials, including industrial solvents, oncology drugs, lab packs and mercury devices among others, which often require a range of custom solutions. This segment provides its core material treatment capabilities and complementary services. In addition to its treatment offerings, this segment also provide turnkey services that include proper identification of waste services, management of all transportation and logistics, appropriate testing and analytics, manifesting/documentation and environmentally compliant placement of treated materials at backend locations.

Harsco Clean Earth serves approximately 1,700 customers at more than 5,000 discrete sites. We maintain strong relationships with customers at various levels of the decision and supply chain, including public and private corporations and property owners, as well as environmental consultants, brokers, construction firms, municipalities, and regulatory agencies, among others. Harsco Clean Earth's top 10 customers accounted for approximately 20% of its net sales for the year ended December 31, 2018.

As of March 31, 2019, Harsco Clean Earth's Contaminated Materials business line had a backlog of approximately 2.9 million tons. Historically, Harsco Clean Earth's backlog has represented over two-thirds of a full-year processing cycle. All of Harsco Clean Earth's revenues in 2018 was generated in North America. For the year ended December 31, 2018, approximately 51% of Harsco Clean Earth's revenues were generated by its contaminated materials business line, 40% were generated by its hazardous waste business line and 9% were generated by its dredged material business line.

Harsco Rail

Harsco Rail is a global provider of equipment, after-market parts and services for the maintenance, repair and construction of railway track. We manufacture and sell highly-engineered railway track maintenance equipment, collision avoidance and warning systems to support passenger, rail worker and pedestrian safety, and measurement and diagnostic technologies that support railway maintenance programs. These products are produced primarily in the United States for customers throughout the world. Additionally, this segment provides railway track maintenance services principally in the United States and the United Kingdom. For the year ended December 31, 2018, approximately 40% of this segment's revenues was generated by its original equipment business line, 45% was generated by its aftermarket sales business line, 10% was generated by its contracting solutions business line and 5% was generated by its Protran technology business line.

We believe we are differentiated from our competitors, primarily privately-held global businesses as well as certain regional competitors, with our product quality, technology and high level of customer service. Approximately 73% and 17% of the segment's revenues originated in North America and Western Europe, respectively, for the year ended December 31, 2018. Harsco Rail is a leader in railway track monitoring, service and equipment in North America.

Harsco Industrial

Harsco Industrial comprises the following three manufacturing businesses principally located in the United States: Harsco Industrial Air-X-Changers; Harsco Industrial IKG; and Harsco Industrial Patterson-Kelly. On May 9, 2019, we announced that we had entered into a definitive agreement to sell Harsco Industrial Air-X-Changers. See "—Recent Developments—Sale of Air-X-Changers" for additional information on the sale of Air-X-Changers. On the same date, we also announced our intent to divest Harsco Industrial IKG and Harsco Industrial Patterson-Kelley, the other two businesses of this segment. We expect that any such divestiture could occur within 12 to 24 months.

- ***Harsco Industrial Air-X-Changers*** is a leading supplier of custom-engineered and manufactured air-cooled heat exchangers for the natural gas compression and processing industry as well as the refining and petrochemical industry in the United States. Harsco Industrial Air-X-Changers' heat exchangers are the primary apparatus used to condition natural gas during recovery, compression and transportation from underground reserves through major pipeline distribution channels.
- ***Harsco Industrial IKG*** is a leading producer of steel grating in North America and manufactures a varied line of industrial grating and fencing products at several plants in the United States and an international plant located in Mexico. These products include a full range of metal bar grating configurations, which are used mainly in industrial flooring, as well as safety and security applications in various industries.
- ***Harsco Industrial Patterson-Kelley*** is a leading manufacturer in North America of energy-efficient heat transfer products such as boilers and water heaters for commercial and institutional applications.

We primarily compete with U.S.-based manufacturers of similar products and we believe our product quality and durability, technology and energy-efficiency differentiates us from our competitors. Approximately 95% of the segment's revenues originated in North America for the year ended December 31, 2018.

COMPETITIVE STRENGTHS

Leading Provider of Environmental Solutions, Rail and Industrial Products

We believe our acquisition of Clean Earth, when consummated, will make us one of the leading providers of environmental solutions and services across a variety of industrial end markets in the United States. Clean Earth is expected to provide us with scale and a breadth of capabilities in the contaminated materials, hazardous waste, and dredged material markets that are complementary to our Harsco Environmental segment's environmental solutions and services offerings. We also believe there are potential cross-selling opportunities for existing customers given our expanded service offering. We believe we have a leadership position within Europe, North America, China, India and Latin America and serve approximately 30% of global liquid steel tons volume (excluding China, CIS, Iran, Japan, South Korea, Taiwan and Vietnam). We are a leading global provider of equipment, after-market parts and services for the maintenance, repair and construction of railway track.

Creating Tangible Value through the Provision of Mission Critical Services and Products

We provide critical services to our customers across all of our operating segments, which perform very different yet essential functions for our customers. Within the Environmental segment, we leverage our operational expertise and industry leading safety capabilities to drive a wide range of on-site services. Following the acquisition of Clean Earth we will expand our environmental service capabilities and expect to realize revenue synergies from this transaction as we leverage our existing customer relationships. Our Harsco Rail segment provides integrated, track solutions that enable railroads to operate at peak efficiency over smooth, precisely aligned track.

Diverse Exposures Across Geographies and End-Markets with Long Tenured Customer Base

We provide our environmental services and engineered products to a large number of industries in approximately 30 countries, operating in all major geographic regions in the world. We believe our diversity across various business segments, industries and customers limits our business risks. As of March 31, 2019, on a pro forma basis after giving effect to the Transactions, our top ten customers comprised 27% of our total revenues.

Within Harsco Environmental, we operate under multi-year contracts with our customers and benefit from a renewal rate over the last five years of approximately 90%. Approximately 80% of our Harsco Environmental revenues are under contract. We have maintained relationships over multiple decades with our top customers such as ArcelorMittal, Tata Steel and Gerdau, some of which we have maintained in excess of 50 years. Likewise, Harsco Clean Earth has had consistently high renewal rates and benefits from operating nine of the approximately 100 TSDFs available in the United States. For the year ended December 31, 2018, on a pro forma basis after giving effect to the Transactions, no customer would have accounted for more than 9% of our total revenues. Accordingly, the loss of any one of our customers is unlikely to have a significant impact.

Attractive Fundamentals Across All Operating Segments

The necessity of the services Harsco Environmental provides and the extensive regulatory framework within which we operate drive a high degree of recurring demand. Regulatory requirements promote high demand for service as customers must manage waste in a timely and compliant manner, which supports the recurring revenue nature of our businesses. Furthermore, customers served by Harsco Environmental have benefited from recent improvements in global steel production. We believe this will contribute to our near-term performance as global growth in steel production and consumption increase demand for mill services. We also expect that Harsco Environmental will benefit from new site (contract) contributions and continued operational savings. Additionally, we believe performance will be positively impacted by demand for aluminum dross and scrap processing systems in the near-term.

The areas in which Harsco Environmental and Harsco Clean Earth operate have high barriers to entry as permits are scarce and very valuable—no new commercial Resource Conservation Recovery Act (“RCRA”) Part B permits for processing hazardous waste have been issued in over 30 years. The acquisition of Clean Earth allows us to further benefit from the permitting and regulatory considerations that drive our recurring revenue model and stickiness of customers.

Harsco Rail has experienced continued improvement in demand for maintenance equipment from North American railroads following a period of decreased demand in recent years. Harsco Rail has also benefited from continued growth, market penetration and investment in foreign markets to increase international equipment sales as well as sales of after-market parts and in our rail safety applications business. As of March 31, 2019, this segment had a backlog of approximately $300 million. Additionally, Harsco Rail has undertaken a number of strategic actions over the past two years to improve manufacturing processes. As previously disclosed, the Company began to consolidate and centralize North American manufacturing and distribution into one facility, allowing for improved efficiency and better service to customers.

Recurring Services, Contracts and Backlog Promote Predictable Performance

We believe we have a high degree of predictability of our operational and financial performance given our large number of customer contracts and services which are generally tied to recurring volumes or aftermarket and maintenance activities. Within Harsco Environmental, newly awarded customer contracts are typically eight to ten years in duration. Contracts often have favorable characteristics such as protections against early termination or reduction in volumes, as well as significant fixed-fee components which promote stable and recurring earnings and cash flows. Historically, we have enjoyed high renewal rates on these contracts given the nature and quality of our services. Harsco Rail also benefits from long tenured customer relationships, as well as a portion of its services driven by after-market activity and large, installed customer base. Our average relationship with our top ten customers exceeds 25 years.

We expect our visibility into future performance to increase following the acquisition of Clean Earth. Hazardous waste generation is voluminous, highly recurring and diversified across many industries and end markets. We believe the proximity of our treatment facilities to our customers, coupled with evolving regulatory standards, is likely to provide us with stable and growing volumes of waste for treatment.

Strong Financial Profile, Disciplined Financial Policies and Prudent Leverage

We have an attractive financial profile highlighted by our diversified revenue streams across segments and end markets, high degree of revenue visibility including that which is under multi-year contracts, stable operating margins and a favorable cash flow profile.

We also have a history of disciplined capital allocation. From 2012 to 2018 we have reduced our net debt balance (prior to deferred financing costs) from approximately $875 million to $551 million, partially through operational and working capital improvements in each of our business segments. We have also historically managed our balance sheet to target net leverage of between 2.0 and 2.5x over the long term. Following the Transactions, we remain committed to operating within this range.

Experienced Management Team

Our management team, led by Chairman and Chief Executive Officer Nick Grasberger and Chief Financial Officer Peter Minan, have extensive operational and financial experience with Harsco, as well as deep industry knowledge. Our management team also has prior experience executing strategic transactions and successfully integrating acquisitions. Likewise, the Clean Earth management team, which we expect will continue to manage and operate Harsco Clean Earth following the Acquisition, has many years of industry and operating expertise. Our Company is expected to benefit from the knowledge of both management teams as we build out our environmental services platform and continue our transformation into one of the leading global providers of environmental solutions.

OUR BUSINESS STRATEGIES

Continue Transformation into One of the Leading Global Providers of Environmental Solutions

As a result of the Acquisition, we will gain scale and a breadth of capabilities in the contaminated materials, hazardous waste, and dredge material markets that are complementary to our Harsco Environmental segment's environmental solutions and services offerings. Clean Earth and our Harsco Environmental segment share a fundamental business philosophy rooted in the beneficial reuse of waste volumes generated by industrial customers. Clean Earth's markets have significant regulatory barriers to entry with high demand for service capabilities driven by ongoing waste generation and regulatory requirements. Clean Earth's extensive operating permits and permitted facility footprint will accelerate our expansion into environmental services. The addition of Clean Earth also furthers our goal to reduce cyclicality given the stability of the business and the end markets it serves. After giving effect to the Transactions, including the sale of Air-X-Changers, environmental solutions and services would have comprised nearly 75% of our total revenues for the year ended December 31, 2018.

Continue to Expand Through Disciplined Organic Growth and Strategic Acquisitions

We will continue to focus on expanding through disciplined organic growth and select acquisitions that will improve our competitive positions in core markets or adjacent market spaces. The addition of Clean Earth significantly increases the overall addressable market opportunity for the combined company. Clean Earth operates in an expanding market driven by tightening environmental regulation at federal, state and local levels; increased public infrastructure spending; growing remediation activity, both by government and private entities; and the increasing pricing of competing disposal alternatives. Industry consolidation also presents a growth opportunity within Clean Earth's current markets. Together with Clean Earth, we believe we have resources and expertise to capture an increasing share of the specialty waste processing and treatment market. Furthermore, Clean Earth maintains relationships with a widely diversified base of industrial customers across a variety of sector and industry segments. The combined company's expanded customer base will create potential long-term cross-selling opportunities with customers of our Harsco Environmental segment. Within our Harsco Environmental segment, we continue to invest in growth for new contracts in attractive end markets as well as to expand our applied products business. Within our Harsco Rail segment, we are working on developing new products and expanding its technology business. We also plan to further penetrate new markets within our Harsco Rail segment, namely the spare parts market and various international markets.

Continue to Focus on Return Based Capital Allocations and Business Portfolio Strategies

Through a disciplined focus on generating free cash flow, allocating capital based primarily on return based metrics and business portfolio strategies, we expect to generate returns above our cost of capital with a balanced business portfolio and disciplined financial profile. We have instituted systems and processes which allow us to rigorously track performances across global sites and across numerous service offerings, which we believe will help improve our return on invested capital. In addition, we will continue to focus on the effective and efficient use of working capital, primarily in the form of inventory reduction in all businesses as well as improvements in receivables collection in the Environmental Services business. We will also continue to strive to manage our debt levels to maintain strong credit metrics.

RECENT DEVELOPMENTS

Acquisition of Clean Earth

On May 8, 2019, we, solely in our capacity as guarantor to the Acquisition, and CH LLC, our wholly owned subsidiary, entered into the Acquisition Agreement with Clean Earth, the Sellers and Compass Group Diversified Holdings LLC, a Delaware limited liability company, in its capacity as representative of the Sellers. Upon the terms and subject to the conditions set forth in the Acquisition Agreement, CH LLC will acquire all of the issued and outstanding common stock of Clean Earth for a purchase price of $625 million, subject to adjustments, including the working capital and indebtedness balances of Clean Earth at the time the Acquisition is consummated.

Acquisition Financing

Contemporaneous with entering into the Acquisition Agreement, we entered into a debt commitment letter, dated May 8, 2019, with Goldman Sachs Bank USA and Citigroup Global Markets Inc. (together, the “Commitment Parties”), pursuant to which and upon the terms and subject to the conditions set forth in such letter, the Commitment Parties have agreed to provide a senior unsecured bridge loan facility (the “Bridge Facility”) of up to $500 million in the aggregate for the purpose of providing the financing necessary to fund a portion of the consideration to be paid pursuant to the Acquisition Agreement and related fees, costs and expenses (the “Bridge Loan Commitment”). The Bridge Loan Commitment will be reduced on a dollar-for-dollar basis by 100% of the gross cash proceeds from the private debt financing. Although we do not currently expect to make any borrowings under the Bridge Facility, there can be no assurance that such borrowings will not be made.

We intend to use the net proceeds from the private debt financing, together with borrowings under our Revolving Credit Facility (as discussed further below), to pay for the Acquisition consideration and related fees, costs and expenses. The closing of the private debt financing is conditioned on the contemporaneous closing of the Acquisition.

We cannot assure you that we will complete the Acquisition or the private debt financing on the terms contemplated the private debt financing or at all.

Credit Agreement Amendment

Concurrently with the private debt financing, we are seeking to amend our Senior Secured Credit Facility (the “Credit Agreement Amendment”) to, among other things, (i) increase our Revolving Credit Facility by $200 million to $700 million, (ii) extend the maturity of our Revolving Credit Facility to June 2024, (iii) reduce the interest rate margins and commitment fees applicable to our Revolving Credit Facility, and (iv) adjust certain covenants. The consummation of the private debt financing, the Acquisition and the Asset Sale are not conditioned upon the consummation of the Credit Agreement Amendment. There can be no assurance that we will be able to consummate the Credit Agreement Amendment to amend any of the foregoing terms.

Sale of Air-X-Changers

On May 8, 2019, we entered into the Asset Purchase Agreement with E&C FinFan, Inc. (the “Acquiror”), and Chart Industries, Inc. Upon the terms and subject to the conditions of the Asset Purchase Agreement, we have agreed to sell, and the Acquiror has agreed to acquire, the Air-X-Changers business in our Harsco Industrial segment for aggregate cash consideration of $592 million, which is subject to adjustment based on the working capital balance of Air-X-Changers at the time of the consummation of the Asset Sale, plus the assumption by the Acquiror of the liabilities of Air-X-Changers specified in the Asset Purchase Agreement. The consummation of the Acquisition and the private debt financing are not conditioned on the closing of the Asset Sale.

The proceeds of the Asset Sale are expected to be used to repay amounts outstanding under the Revolving Credit Facility and the Term Loan Facility and to pay associated transaction fees and expenses, including taxes.

SUMMARY UNAUDITED PRO FORMA AND HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

Summary Unaudited Pro Forma Consolidated Financial Information

The following summary unaudited pro forma condensed consolidated financial information has been prepared to reflect the Transactions. The following summary unaudited pro forma condensed consolidated statement of operations information gives effect to the Transactions as if they had closed on January 1, 2018. The following summary unaudited pro forma condensed consolidated balance sheet information gives effect to the Transactions as if they had closed on March 31, 2019. We derived the unaudited pro forma condensed consolidated financial information as of and for the twelve months ended March 31, 2019 in the summary table below from, and which should be read together with, our unaudited pro forma condensed consolidated financial statements and related notes included in the Unaudited Pro Forma Financial Statements. The summary unaudited pro forma consolidated financial information for the twelve months ended March 31, 2019 has been calculated by adding the unaudited pro forma condensed consolidated financial statements for the three months ended March 31, 2019 to the unaudited pro forma condensed consolidated financial statements for the year ended December 31, 2018, and then subtracting the unaudited pro forma condensed consolidated financial statements for the three months ended March 31, 2018. The summary unaudited pro forma condensed consolidated financial information is provided for informational purposes only and does not purport to represent what our actual operating results would have been had the Transactions occurred on the dates assumed, nor are they necessarily indicative of our future results after the Transactions. The summary unaudited pro forma condensed consolidated financial information does not reflect the cost of any integration activities or benefits from the Acquisition and the Asset Sale that may be derived, both of which may have a material effect on our consolidated results in periods following completion of the Transactions.

	Pro Forma	
(dollars in thousands)	**Year Ended December 31, 2018**	**Twelve Months Ended March 31, 2019**
	(unaudited)	**(unaudited)**
Statement of Operations Information:		
Harsco Environmental (f/k/a Harsco Metals & Minerals)	$1,068,304	$ 1,064,893
Harsco Industrial	167,555	169,406
Harsco Rail	279,294	288,207
Harsco Clean Earth	266,916	272,327
Harsco Corporate	74	35
Total revenues	$1,782,143	$ 1,794,868
Total costs and expenses	1,614,894	1,629,012
Operating income from continuing operations	167,249	165,856
Interest income	2,189	2,237
Interest expense	(55,542)	(55,718)
Defined benefit pension income	3,447	1,271
Loss on early extinguishment of debt	(1,127)	(1,127)
Income from continuing operations before income taxes and equity income	116,216	112,519
Income tax (expense) benefit	(1,030)	3,370
Equity income of unconsolidated entities, net	384	404
Income from continuing operations	$ 115,570	$ 116,293
Balance Sheet Information (at period end):		
Cash and cash equivalents		$ 85,205
Total assets		2,365,180
Total debt, inclusive of deferred financing costs		808,490
Total equity		734,914

(dollars in thousands)	Pro Forma	
	Year Ended December 31, 2018	Twelve Months Ended March 31, 2019
	(unaudited)	(unaudited)
Other Financial Information:		
EBITDA [a]	$ 310,917	$ 309,285
Adjusted EBITDA [a]	322,167	319,226
Further Adjusted EBITDA [a]	337,892	331,372
Total debt [b]		830,284
Ratio of net total debt to Further Adjusted EBITDA [c]		2.25x

(a) For additional information regarding our use of EBITDA, Adjusted EBITDA and Further Adjusted EBITDA and limitations on their usefulness as analytical tools, see "Use of Non-GAAP Measures." A reconciliation of income from continuing operations, the most directly comparable U.S. GAAP measure, to EBITDA, Adjusted EBITDA and Further Adjusted EBITDA, on a pro forma basis after giving effect to the Transactions, is as follows:

(in thousands)	Pro Forma	
	Year Ended December 31, 2018	Twelve Months Ended March 31, 2019
	(unaudited)	(unaudited)
Income from continuing operations [1]	$ 115,570	$ 116,293
Equity in loss of unconsolidated entities, net [1]	(384)	(404)
Income tax (benefit) expense [1]	1,030	(3,370)
Loss on early extinguishment of debt [1]	1,127	1,127
Defined benefit pension (income) [1]	(3,447)	(1,271)
Interest expense, net [1]	53,353	53,481
Depreciation and amortization	143,668	143,429
EBITDA	310,917	309,285
Harsco Environmental segment adjustments [2]	(6,162)	(8,064)
Harsco Rail segment adjustments [3]	640	3,288
Acquisition and strategic related costs [4]	1,184	3,353
Stock compensation	11,922	12,122
Other [5]	3,666	(758)
Adjusted EBITDA	322,167	319,226
Eliminated transport costs [6]	5,623	4,214
Pre-acquisition earnings [7]	3,682	1,998
Prospective synergies [8]	5,000	5,000
Other adjustments [9]	1,420	934
Further Adjusted EBITDA [10]	$ 337,892	$ 331,372

(1) Income from continuing operations, Equity in loss of unconsolidated entities, net, Income tax benefit (expense), Loss on early extinguishment of debt, Defined benefit pension (income), and Interest expense, net, are described in the unaudited pro forma condensed combined financial statements included in the Unaudited Pro Forma Financial Statements.

(2) Represents (i) a favorable non-cash adjustment to previously accrued amounts related to the disposal of certain slag material in Latin America of $3.2 million for each of the year ended December 31, 2018 and for the twelve months ended March 31, 2019; (ii) the favorable non-cash impact of the change in fair value to the acquisition-related contingent consideration liability for the acquisition of Altek of $2.9 million for the year ended December 31, 2018 and

$2.6 million for the twelve months ended March 31, 2019; and (iii) a non-cash gain related to the liquidation of cumulated translation adjustment for an exited country of $2.3 million for the twelve months ended March 31, 2019.

(3) Represents costs associated with a productivity improvement initiative in this segment.

(4) Represents (i) costs associated with our acquisition of Altek and its affiliated entities of $1.2 million for the year ended December 31, 2018 and $1.2 million for the twelve months ended March 31, 2019; and (ii) costs associated with supporting and executing our growth strategy relating to the Acquisition and Asset Sale of $2.2 million for the twelve months ended March 31, 2019.

(5) Consists principally of various adjustments required by our credit agreement as well as historical acquisition related expenses incurred by Clean Earth and elimination of management fees paid by Clean Earth to its former parent.

(6) Excess transportation costs for the disposal of processed material for beneficial reuse applications that have been eliminated with the commencement of operations at a new processing and beneficial reuse site in closer proximity to customer and other processing locations.

(7) Represents pre-acquisition Adjusted EBITDA contribution from businesses acquired by Clean Earth in 2018.

(8) Synergies associated with the Transactions are expected to be achieved within one year and are comprised of operational efficiencies and cost savings. These synergies are inherently uncertain, and are subject to significant business, economic and competitive conditions and contingencies, many of which are difficult to predict and beyond our control. We cannot assure you that we will be able to achieve these synergies as planned or at all.

(9) Includes various Clean Earth adjustments, including costs related to facility closures.

(10) The table set forth below also presents Further Adjusted EBITDA of Harsco on a pro forma basis for the periods presented by adjusting the historical Adjusted EBITDA of Harsco to give effect to (i) incremental Clean Earth Further Adjusted EBITDA, (ii) the removal of the Adjusted EBITDA of Air-X-Changers, and (iii) prospective synergies associated with the Transactions:

(in thousands)	Year Ended December 31, 2018	Twelve Months Ended March 31, 2019
Harsco Adjusted EBITDA [a]	$ 328,617	$ 329,045
Clean Earth Further Adjusted EBITDA [b]	52,585	50,533
Air-X-Changers Adjusted EBITDA [c]	(48,310)	(53,206)
Prospective synergies [d]	5,000	5,000
Pro forma Further Adjusted EBITDA	$ 337,892	$ 331,372

(a) For a reconciliation of the Harsco’s Adjusted EBITDA, see footnote (e) under “—Summary Historical Consolidated Financial Information of Harsco Corporation.”

(b) For a reconciliation of the Clean Earth Further Adjusted EBITDA, see footnote (b) under “—Summary Historical Consolidated Financial Information of Clean Earth.”

(c) For a reconciliation of Air-X-Changer’s Adjusted EBITDA, see footnote (e) under “—Summary Historical Consolidated Financial Information of Harsco Corporation.”

(d) See the description of prospective synergies in footnote 8 above.

(b) Total debt is exclusive of deferred financing costs.

(c) We define net total debt as total debt less cash and cash equivalents.

Summary Historical Consolidated Financial Information of Harsco Corporation

We derived the summary consolidated statement of operations information and the summary consolidated statement of cash flows information for the years ended December 31, 2018, 2017 and 2016 and the summary consolidated balance sheet information as of December 31, 2018 and 2017 in the summary table below from our audited consolidated financial statements and related notes. The summary consolidated balance sheet information as of December 31, 2016 is derived from our audited consolidated financial statements and related notes. The summary consolidated statement of operations information for the three months ended March 31, 2019 and 2018, and the summary consolidated balance sheet information as of March 31, 2019 have been derived from our unaudited interim consolidated financial statements and related notes. The summary consolidated balance sheet information as of March 31, 2018 has been derived from our unaudited interim consolidated financial statements and related notes. The summary historical consolidated financial information of Harsco for the twelve months ended March 31, 2019 has been calculated by adding the consolidated financial statements of Harsco for the three months ended March 31, 2019 to the consolidated financial statements of Harsco for the year ended December 31, 2018, and then subtracting the consolidated financial statements of Harsco for the three months ended March 31, 2018. Our historical results are not necessarily indicative of the results expected for any future period, and the results in the three months ended March 31, 2019, are not necessarily indicative of results to be expected for the full year or any other period. In the opinion of our management, our unaudited interim consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of our financial position as of March 31, 2019 and 2018 and our results of operations for the three-month periods ended March 31, 2019 and 2018. You should read the summary historical financial information below, together with our audited consolidated financial statements and related notes thereto, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2018.

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
(in thousands)	**2018 [b]**	**2017**	**2016**	**2019**	**2018**	**2019**
				(unaudited)	**(unaudited)**	**(unaudited)**
Statement of Operations Information:						
Harsco Environmental (f/k/a Harsco Metals & Minerals)	$ 1,068,304	$ 1,011,328	$ 965,540	$ 261,312	$ 264,723	$ 1,064,893
Harsco Industrial	374,708	299,592	247,542	117,385	83,598	408,495
Harsco Rail	279,294	295,999	238,107	68,591	59,678	288,207
Harsco Corporate	74	143	34	—	39	35
Total revenues [a]	$ 1,722,380	$ 1,607,062	$ 1,451,223	$ 447,288	$ 408,038	$ 1,761,630
Total costs and expenses	1,531,453	1,461,668	1,386,340	409,042	371,497	1,568,998
Operating income from continuing operations	190,927	145,394	64,883	38,246	36,541	192,632
Interest income	2,155	2,469	2,475	534	498	2,191
Interest expense	(38,148)	(47,552)	(51,584)	(9,739)	(9,583)	(38,304)
Defined benefit pension income (expense)	3,447	(2,595)	(1,414)	(1,337)	839	1,271
Loss on early extinguishment of debt	(1,127)	(2,265)	(35,337)	—	—	(1,127)
Change in fair value to the unit adjustment liability; loss on dilution and sale of equity method investment	—	—	(58,494)	—	—	—
Income (loss) from continuing operations before income taxes and equity income	157,254	95,451	(79,471)	27,704	28,295	156,663
Income tax expense	(12,899)	(83,803)	(6,637)	(4,855)	(8,266)	(9,488)
Equity income of unconsolidated entities	384	—	5,686	20	—	404
Income (loss) from continuing operations	$ 144,739	$ 11,648	$ (80,422)	$ 22,869	$ 20,029	$ 147,579

(in thousands)	Year Ended December 31, 2018 [b]	2017	2016	Three Months Ended March 31, 2019	2018	Twelve Months Ended March 31, 2019
				(unaudited)	(unaudited)	(unaudited)
Cash Flow Information:						
Net cash provided (used) by:						
Operating activities [c]	$ 192,022	$ 176,892	$ 159,876	$ 14,838	$ (8,243)	$ 215,103
Investing activities	(161,143)	(103,325)	122,887	(38,641)	(30,342)	(169,442)
Financing activities [c]	(25,538)	(83,715)	(292,364)	44,359	39,165	(20,344)
Balance Sheet Information (at period end):						
Cash and cash equivalents	$ 64,260	$ 62,098	$ 69,831	$ 84,743	$ 64,780	$ 84,743
Total assets	1,632,867	1,578,685	1,581,338	1,737,561	1,582,621	1,737,561
Total debt, inclusive of deferred financing costs	602,229	586,623	659,072	655,339	626,920	655,339
Total equity	313,376	215,165	137,563	335,272	246,345	335,272
Other Financial Information:						
Free Cash Flow before growth capital expenditures [d]	$ 103,991	$ 109,326	$ 109,879	$ (7,032)	$ (26,839)	$ 123,798
Total Capital Expenditures	(132,168)	(98,314)	(69,340)	(36,407)	(26,897)	(141,678)
Maintenance Capital Expenditures	(101,513)	(81,849)	(59,472)	(23,890)	(19,213)	(106,190)
EBITDA [e]	320,727	272,352	201,889	70,802	69,241	322,288
Adjusted EBITDA [e]	328,617	287,484	263,847	75,834	75,406	329,045

(a) We have adopted the new revenue recognition standard utilizing the modified retrospective transition method, including the use of practical expedients. Comparative information has not been restated and continues to be reported under accounting principles generally accepted in the United States in effect for those periods. See Note 2 to our audited consolidated financial Statements for additional information.

(b) Includes the effects of the acquisition of Altek Europe Holdings Limited and its affiliated entities. See Note 3 to our audited consolidated financial statements for additional information.

(c) On January 1, 2017, we adopted changes issued by the FASB to the accounting for stock-based compensation. We reclassified employee taxes paid on stock compensation in the amount of $0.1 million for the year ended December 31, 2016, from Cash provided by operating activities to Cash provided (used by) financing activities on our audited consolidated statement of Cash Flows.

(d) In addition to Net cash provided by operating activities presented in accordance with U.S. GAAP, we use Free Cash Flow before growth capital expenditures to measure liquidity. Free Cash Flow before growth capital expenditures is defined as Net cash provided by operating activities, less capital expenditures, plus capital expenditures for strategic ventures, plus total proceeds from sales of assets, plus growth capital expenditures. Free Cash Flow before growth capital expenditures is a non-GAAP financial measure. For more information about this measure, see "Use of Non-GAAP Measures."

The table set forth below presents a reconciliation of our cash flow provided by operating activities to Free Cash Flow before growth capital expenditures for the years ended December 31, 2018, 2017 and 2016, for the three months ended March 31, 2019 and 2018 and for the twelve months ended March 31, 2019:

(in thousands)	Year Ended December 31, 2018 [b]	2017	2016	Three Months Ended March 31, 2019	March 31, 2018	Twelve Months Ended March 31, 2019
				(unaudited)	(unaudited)	(unaudited)
Net cash provided by operating activities	$ 192,022	$ 176,892	$ 159,876	$ 14,838	$ (8,243)	$ 215,103
Less capital expenditures	(132,168)	(98,314)	(69,340)	(36,407)	(26,897)	(141,678)
Plus capital expenditures for strategic ventures [1]	1,595	865	170	843	240	2,198
Plus total proceeds from sales of assets [2]	11,887	13,418	9,305	1,177	377	12,687
Free cash flow	73,336	92,861	100,011	(19,549)	(34,523)	88,310
Plus growth capital expenditures	30,655	16,465	9,868	12,517	7,684	35,488
Free Cash Flow before growth capital expenditures	$ 103,991	$ 109,326	$ 109,879	$ (7,032)	$ (26,839)	$ 123,798

(1) Capital expenditures for strategic ventures represent the partner's share of capital expenditures in certain ventures consolidated in our financial statements.

(2) Asset sales are a normal part of the business, primarily for our Harsco Environmental segment.

(e) For additional information regarding our use of EBITDA and Adjusted EBITDA and limitations on their usefulness as analytical tools, see "Use of Non-GAAP Measures." A reconciliation of income (loss) from continuing operations, the most directly comparable U.S. GAAP measure, to EBITDA and Adjusted EBITDA, on a historical basis, is as follows:

	Year Ended December 31,			Three Months Ended		Twelve Months Ended
(in thousands)	**2018 (b)**	**2017**	**2016**	**March 31, 2019**	**March 31, 2018**	**March 31, 2019**
				(unaudited)	**(unaudited)**	**(unaudited)**
Income (loss) from continuing operations	$ 144,739	$ 11,648	$ (80,422)	$ 22,869	$ 20,029	$ 147,579
Equity in (income) of unconsolidated entities, net	(384)	—	(5,686)	(20)	—	(404)
Income tax expense	12,899	83,803	6,637	4,855	8,266	9,488
Change in fair value to the unit adjustment liability and loss on dilution and sale of equity method investment	—	—	58,494	—	—	—
Loss on early extinguishment of debt	1,127	2,265	35,337	—	—	1,127
Defined benefit pension (income) expense	(3,447)	2,595	1,414	1,337	(839)	(1,271)
Interest expense	38,148	47,552	51,584	9,739	9,583	38,304
Interest income	(2,155)	(2,469)	(2,475)	(534)	(498)	(2,191)
Depreciation and amortization	129,800	126,958	137,016	32,556	32,700	129,656
EBITDA	320,727	272,352	201,899	70,802	69,241	322,288
Harsco Environmental segment adjustments (1)	(6,162)	4,589	3,943	(1,902)	—	(8,064)
Harsco Rail segment adjustments (2)	640	—	45,050	2,648	—	3,288
Acquisition and strategic related costs (3)	1,184	—	3,287	2,739	—	3,923
Stock compensation (4)	11,060	9,745	7,667	3,551	3,347	11,264
Other (4)	1,168	798	2,001	(2,004)	2,818	(3,654)
Adjusted EBITDA(5)	$ 328,617	$ 287,484	$ 263,847	$ 75,834	$ 75,406	$ 329,045

(1) Represents (i) a favorable non-cash adjustment to previously accrued amounts related to the disposal of certain slag material in Latin America of $3.2 million for the year ended December 31, 2018 and the twelve months ended March 31, 2019; (ii) the favorable (unfavorable) non-cash impact of the change in fair value to the acquisition-related contingent consideration liability for the Altek acquisition of $2.9 million for the year ended December 31, 2018, ($0.4) million for the three months ended March 31, 2019 and $2.6 million for the twelve months ended March 31, 2019; (iii) non-cash gains related to the liquidation of cumulated translation adjustment for exited countries of $1.2 million for the year ended December 31, 2016, $2.3 million for the three months ended March 31, 2019 and $2.3 million for the twelve months ended March 31, 2019; (iv) charges primarily attributed to site exit and underperforming contract costs of $5.1 million for the year ended December 31, 2016; and (v) bad debt expense related to a customer administration of $4.6 million for the year ended December 31, 2017.

(2) Represents (i) costs associated with a productivity improvement initiative in this segment of $0.6 million for the year ended December 31, 2018, $2.6 million for the three months ended March 31, 2019 and $3.3 million for the twelve months ended March 31, 2019; and (ii) forward contract loss provision related to our contracts with the federal railway system of Switzerland of $45.1 million for the year ended December 31, 2016.

(3) Represents (i) costs associated with the acquisition of Altek and its affiliated entities of $1.2 million for each of the year ended December 31, 2018 and the twelve months ended March 31, 2019; (ii) costs associated with supporting and executing our growth strategy relating to the Acquisition and the Asset Sale of $2.7 million for each of the three months ended March 31, 2019 and the twelve months ended March 31, 2019; and (iii) costs associated with certain strategic initiatives of $3.3 million incurred for the year ended December 31, 2016.

(4) Consists principally of various adjustments required by our credit agreement.

(5) The historical Adjusted EBITDA of Harsco includes the operations of Air-X-Changers and does not give pro forma affect to the Asset Sale. The table set forth below provides the historical contribution of Air-X-Changers to Adjusted EBITDA of Harsco for the periods presented and presents a reconciliation of the Adjusted EBITDA of Air-X-Changers to income from continuing operations of Air-X-Changers, the most directly comparable U.S. GAAP measure, on a historical basis.

(in thousands)	**Year Ended December 31, 2018**	**Twelve Months Ended March 31, 2019**
	(unaudited)	**(unaudited)**
Income from continuing operations of Air-X-Changers	$ 32,532	$ 36,197
Income tax expense	10,780	11,995
Interest expense	55	38
Depreciation and amortization	4,204	4,299
Stock compensation	691	695
Other	48	(18)
Air-X-Changers Adjusted EBITDA	$ 48,310	$ 53,206

Summary Historical Consolidated Financial Information of Clean Earth

We derived the summary consolidated statement of operations information and the summary consolidated statement of cash flows information of Clean Earth for the years ended December 31, 2018 and 2017 and the summary consolidated balance sheet information as of December 31, 2018 in the summary table below from Clean Earth's audited consolidated financial statements and related notes. The summary consolidated statement of operations information of Clean Earth for the three months ended March 31, 2019 and 2018, and the summary consolidated balance sheet information of Clean Earth as of March 31, 2019 have been derived from Clean Earth's unaudited interim consolidated financial statements and related notes. The summary historical consolidated financial information of Clean Earth for the twelve months ended March 31, 2019 has been calculated by adding the consolidated financial statements of Clean Earth for the three months ended March 31, 2019 to the consolidated financial statements of Clean Earth for the year ended December 31, 2018, and then subtracting the consolidated financial statements of Clean Earth for the three months ended March 31, 2018. Clean Earth's historical results are not necessarily indicative of the results expected for any future period, and the results in the three months ended March 31, 2019, are not necessarily indicative of results to be expected for the full year or any other period. In the opinion of Clean Earth's management, Clean Earth's unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements of Clean Earth and include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of Clean Earth's financial position as of March 31, 2019 and 2018 and Clean Earth's results of operations for the three month periods ended March 31, 2019 and 2018. You should read the summary historical financial information below, together with Clean Earth's audited and unaudited consolidated financial statements and related notes thereto.

(in thousands)	Year Ended December 31, 2018	Year Ended December 31, 2017	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Twelve Months Ended March 31, 2019
			(unaudited)	(unaudited)	(unaudited)
Statement of Operations Information:					
Revenues, net	$ 266,916	$ 211,247	$ 63,632	$ 58,221	$ 272,327
Cost of services	201,711	159,523	49,476	45,399	205,788
Gross profit	65,205	51,724	14,156	12,822	66,539
Selling, general and administrative expenses	50,262	39,187	12,774	11,938	51,098
Management fee	500	500	125	125	500
Operating Income	14,443	12,037	1,257	759	14,941
Other (loss) income, net	(396)	80	(124)	(39)	(481)
Interest expense	(863)	(821)	(289)	(188)	(964)
Interest expense, related-party	(16,496)	(13,456)	(4,575)	(3,465)	(17,606)
Loss from operations before income tax benefit	(3,312)	(2,160)	(3,731)	(2,933)	(4,110)
Income tax benefit	2,458	15,469	1,021	617	2,862
Net (loss) income	$ (854)	$ 13,309	$ (2,710)	$ (2,316)	$ (1,248)
Cash Flow Information:					
Net cash provided (used) by:					
Operating activities	$ 23,149	$ 15,555	$ (5,795)	$ 653	$ 16,701
Investing activities	(65,360)	(11,736)	(3,050)	(7,806)	(60,604)
Financing activities	41,282	(1,709)	7,329	5,844	42,767
Balance Sheet Information (at period end):					
Cash and cash equivalents	$ 1,978	$ 2,907	$ 462		$ 462
Total assets	407,804	352,677	422,283		422,283
Total debt	209,736	167,930	217,198		217,198
Total stockholders' equity	122,720	122,021	120,398		120,398

(in thousands)	Year Ended December 31, 2018	Year Ended December 31, 2017	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Twelve Months Ended March 31, 2019
			(unaudited)	(unaudited)	(unaudited)
Other Financial Information:					
Clean Earth Free Cash Flow before growth capital expenditures [(a)]	$ 17,550	$ 11,857	$ (7,146)	$ (213)	$ 10,617
Capital Expenditures	(8,621)	(5,514)	(2,103)	(1,287)	(9,437)
Clean Earth Adjusted EBITDA [(b)]	41,860	35,777	8,260	6,733	43,387
Clean Earth Further Adjusted EBITDA [(b)]	$ 52,585		$ 8,376	$ 10,428	$ 50,533

(a) In addition to Net cash provided by operating activities presented in accordance with U.S. GAAP, we use Clean Earth Free Cash Flow before growth capital expenditures to measure liquidity. Clean Earth Free Cash Flow before growth capital expenditures is defined as Net cash provided by operating activities, less capital expenditures, plus total proceeds from sales of assets, plus growth capital expenditures. Clean Earth Free Cash Flow before growth capital expenditures is a non-GAAP financial measure. For more information about this measure, see "Use of Non-GAAP Measures."

The table set forth below presents a reconciliation of Clean Earth's cash flow from operating activities to Clean Earth Free Cash Flow before growth capital expenditures for the years ended December 31, 2018 and 2017, for the three months ended March 31, 2019 and 2018 and for the twelve months ended March 31, 2019:

(in thousands)	Year Ended December 31, 2018	Year Ended December 31, 2017	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Twelve Months Ended March 31, 2019
			(unaudited)	(unaudited)	(unaudited)
Net cash provided (used) by operating activities	$ 23,149	$ 15,555	$ (5,795)	$ 653	$ 16,701
Less capital expenditures	(8,621)	(5,514)	(2,103)	(1,287)	(9,437)
Plus total proceeds from sale of assets	598	226	21	31	588
Clean Earth Free Cash Flow	15,126	10,267	(7,877)	(603)	7,852
Plus growth capital expenditures	2,424	1,590	731	390	2,765
Clean Earth Free Cash Flow before growth capital expenditures	$ 17,550	$ 11,857	$ (7,146)	$ (213)	$ 10,617

(b) For additional information regarding our use of Clean Earth EBITDA, Clean Earth Adjusted EBITDA, Clean Earth Further Adjusted EBITDA and limitations on their usefulness as analytical tools, see "Use of Non-GAAP Measures." A reconciliation of Clean Earth's Net income (loss), the most directly comparable U.S. GAAP measure, to Clean Earth EBITDA, Clean Earth Adjusted EBITDA and Clean Earth Further Adjusted EBITDA, on a historical basis, is as follows:

(in thousands)	Year Ended December 31, 2018	Year Ended December 31, 2017	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Twelve Months Ended March 31, 2019
			(unaudited)	(unaudited)	(unaudited)
Net income (loss)	$ (854)	$ 13,309	$ (2,710)	$ (2,316)	$ (1,248)
Income tax benefit	(2,458)	(15,469)	(1,021)	(617)	(2,862)
Interest expense	17,359	14,277	4,864	3,653	18,570
Interest income	(34)	—	(12)		(46)
Depreciation and amortization	23,682	21,647	6,035	5,460	24,257
Clean Earth EBITDA	37,695	33,764	7,156	6,180	38,671
Other [(1)]	2,612	460	716	165	3,163
Stock compensation [(2)]	1,553	1,553	388	388	1,553
Clean Earth Adjusted EBITDA	$ 41,860	$ 35,777	$ 8,260	$ 6,733	$ 43,387
Eliminated transport costs [(3)]	5,623		3	1,412	4,214
Pre-acquisition earnings [(4)]	3,682		—	1,684	1,998
Other adjustments [(5)]	1,420		113	599	934
Clean Earth Further Adjusted EBITDA	$ 52,585		$ 8,376	$ 10,428	$ 50,533

(1) Represents various other adjustments based on amounts historically incurred by Clean Earth. The most significant amounts relate to historical acquisition expenses and management fees as well as gains and losses on the sale of fixed assets.
(2) Represents non-cash costs associated with Clean Earth's stock-based compensation plan.
(3) Excess transportation costs for the disposal of processed material for beneficial reuse applications that have been eliminated with the commencement of operations at a new processing and beneficial reuse site in closer proximity to customer and other processing locations.
(4) Represents pre-acquisition Adjusted EBITDA contribution from businesses acquired by Clean Earth in 2018.
(5) Includes various Clean Earth adjustments, including costs related to facility closures.

Risks Relating to the Acquisition

The Acquisition Agreement may be terminated in accordance with its terms, or the Acquisition may otherwise not be consummated or may only be consummated on terms less favorable than the proposed terms.

We intend to use the net proceeds from the private debt financing to finance a portion of the purchase price for the Acquisition, if it is consummated. However, no assurance can be given that the Acquisition will be consummated when expected or at all. Further, while the closing of the private debt financing is conditioned on the contemporaneous closing of the Acquisition, the Acquisition may be consummated on terms less favorable than the terms proposed.

The Acquisition Agreement contains conditions that must be fulfilled before a closing may occur. The Acquisition Agreement also contains certain rights to terminate the agreement prior to the closing, including the right of either us or the Seller to terminate the Acquisition (i) if the closing has not occurred prior to September 8, 2019 (or, under certain specified circumstances, September 27, 2019), (ii) if the closing would violate a final, non-appealable order of a governmental authority having competent jurisdiction and (iii) in the event of certain material breaches of the Acquisition Agreement by the other party or parties. There can be no assurance that the conditions to closing will be satisfied or waived or that other events will not intervene to delay or prevent the completion of the Acquisition.

We intend to finance a portion of the purchase price for the Acquisition with the net proceeds from the private debt financing, and the balance of the purchase price with borrowings under our Revolving Credit Facility. However, there can be no assurance that we will be successful in raising sufficient funds from the private debt financing. Although we entered into the Bridge Loan Commitment, pursuant to which the lenders have committed to provide financing in an aggregate principal amount of up to $500 million, the obligations of the lenders to provide financing under the Bridge Loan Commitment are subject to a number of customary conditions, including, without limitation, the consummation of the Acquisition, the accuracy of certain representations and warranties, the receipt by the lenders of certain documents and information, and the payment of all fees, costs and expenses required to be paid on or prior to closing. We cannot assure you that we will be able to satisfy the conditions under the Bridge Loan Commitment. The consummation of the Acquisition is not contingent on our ability to obtain sufficient financing under the Bridge Loan Commitment or otherwise. The Bridge Loan Commitment will be reduced on a dollar-for-dollar basis by 100% of the gross cash proceeds from the private debt financing.

We may not realize the growth opportunities and operational synergies that are anticipated from the Acquisition.

The benefits that are expected to result from the Acquisition will depend, in part, on our ability to realize the growth opportunities and operational synergies we anticipate from the Acquisition. Our success in realizing these growth opportunities and operational synergies, and the timing of this realization, depends, in part, on the successful integration of Clean Earth. Even if we are able to integrate Clean Earth successfully, this integration may not result in the realization of the full benefits of the growth opportunities and operational synergies that we currently expect, nor can we give assurances that these benefits will be achieved when expected or at all.

Potential difficulties that may be encountered in the integration process include, among others: lost sales and customers as a result of customers of Clean Earth deciding not to do business with us after the consummation of the Acquisition; integrating personnel and retaining key employees of Clean Earth while maintaining focus on providing consistent, high-quality products and service to customers; unanticipated issues in integrating manufacturing, logistics, information, communications and other systems; possible inconsistencies in standards, controls, procedures, policies and compensation structures; and potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the Acquisition.

Moreover, we also expect to incur expenses in connection with the integration of Clean Earth. While it is anticipated that certain expenses will be incurred to achieve operational synergies, such expenses are difficult to estimate accurately, may exceed current estimates. Accordingly, the benefits from the Acquisition may be offset by costs incurred or delays in integrating the businesses. In addition, the integration of Clean Earth may result in material unanticipated problems, expenses, liabilities, regulatory risks, competitive responses, and diversion of management's attention that may have a material adverse effect on our business, financial condition or results of operations.

The pendency of the Acquisition could adversely affect our business, financial results, and operations.

The announcement and pendency of the Acquisition could cause disruptions and create uncertainty surrounding our business and affect our relationships with our customers and employees. In addition, we have diverted, and will continue to divert, significant management resources to complete the Acquisition, which could have a negative impact on our ability to manage existing operations or pursue alternative strategic transactions, which could adversely affect our business, financial condition and results of operations and ability to service our indebtedness, including the private debt financing. Until the completion of the Acquisition, we will not receive any of the potential benefits from the Acquisition and our existing business may be disrupted, which could cause the benefits of the Acquisition and in extreme cases, our existing business, to decline and, if severe, could adversely affect our business, financial condition and results of operations and ability to service our indebtedness, including the private debt financing.

Our actual financial position and results of operations may differ materially from the unaudited pro forma financial information.

The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of what our actual financial position or results of operations would have been had the Transactions been consummated on the dates indicated. The unaudited pro forma consolidated financial information has been derived from our audited and unaudited consolidated financial statements and Clean Earth's audited and unaudited financial statements, and reflects assumptions and adjustments that are based upon preliminary estimates and our successful completion of the Transactions, in particular the Acquisition. The assets and liabilities of Clean Earth have been measured at fair value based on various preliminary estimates using assumptions that our management believes are reasonable utilizing information currently available. The process for estimating the fair value of acquired assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates. These estimates will be revised as additional information becomes available and as additional analyses are performed. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected herein. The assumptions used in preparing the unaudited pro forma financial information, including assumptions as to the successful completion of the Transactions may not prove to be accurate, and other factors may adversely affect our financial condition or results of operations following the consummation of the Acquisition.

Risks Relating to Clean Earth

If Clean Earth is unable to obtain or renew its operating permits or license agreements with regulatory bodies, its business would be adversely affected.

Clean Earth's facilities operate using permits and licenses issued by various regulatory bodies at various local, state and federal government levels. Failure to obtain permits and licenses necessary to operate Clean Earth's facilities on a timely basis or failure to renew or maintain compliance with its permits, licenses and site lease agreements on a timely basis could prevent or restrict its ability to provide certain services, resulting in a material adverse effect on its business. There can be no assurance that Clean Earth will continue to be successful in obtaining timely permit or license applications approval, maintaining compliance with its permits, licenses and lease agreements and obtaining timely license renewals.

If Clean Earth fails to comply with applicable environmental laws and regulations, its business could be adversely affected.

The regulatory framework governing Clean Earth's business is extensive. Clean Earth could be held liable if its operations cause contamination of air, groundwater or soil or expose its employees or the public to contamination. Clean Earth may be held liable for damage caused by conditions that existed before it acquired the assets, business or operations involved. Also, it may be liable if it generates, transports or arranges for the transportation, disposal or treatment of hazardous substances that cause environmental contamination at facilities operated by others, or if a predecessor generated, transported, or made such arrangements and Clean Earth is a successor. Liability for environmental damage could have a material adverse effect on Clean Earth's financial condition, results of operations and cash flows. Clean Earth may also be held liable for the mishandling of waste streams resulting from the misrepresentations by a customer as to the nature of such waste streams.

Stringent regulations of federal, state, local or provincial governments have a substantial impact on Clean Earth's contaminated soil, dredge material and solid and hazardous waste treatment, storage, disposal and beneficial use activities. Many complex laws, rules, orders and regulatory interpretations govern environmental protection, health, safety, noise, visual impact, odor, land use, zoning, transportation and related matters. Clean Earth also may be subject to laws concerning the protection of certain marine and bird species, their habitats, and wetlands. It may incur substantial costs in order to conduct its operations in compliance with these environmental laws and regulations. Changes in environmental laws or regulations or changes in the enforcement or interpretation of existing laws, regulations or permitted activities may require Clean Earth to make significant capital or other expenditures, to modify existing operating licenses or permits, or obtain additional approvals or limit operations. New environmental laws or regulations that raise compliance standards or require changes in operating practices or technology may impose significant costs and/or limit Clean Earth's operations.

Clean Earth's revenue is primarily generated as a result of requirements imposed on its customers under federal, state, local and provincial laws and regulations to protect public health and the environment. If requirements to comply with laws and regulations governing management of contaminated soils, dredge material, and hazardous wastes were relaxed or less vigorously enforced at the federal, state, and local levels, demand for Clean Earth's services could materially decrease and its revenues and earnings could be reduced.

If Clean Earth fails to maintain safe worksites, it may be subject to significant operating risks and hazards.

Clean Earth operates facilities that accept, process and/or treat materials provided by its customers. These facilities may be inherently dangerous workplaces. If serious accidents or fatalities occur or its safety record was to deteriorate, it may be ineligible to bid on certain work, and existing service arrangements could be terminated. Further, regulatory changes implemented by the Occupational Safety and Health Administration could impose additional costs on Clean Earth. Adverse experience with hazards and claims could result in liabilities caused by, among other things, injury or death to persons, which could have a negative effect on Clean Earth's reputation with its existing or potential new customers and its prospects for future business.

The waste management industry, in which Clean Earth is a participant, is subject to various economic, business, and regulatory risks.

The future operating results of Clean Earth may be affected by such factors as Clean Earth's ability to utilize its facilities and workforce profitably in the face of intense price competition, maintain or increase market share during periods of economic contraction or industry consolidation, realize benefits from cost reduction programs, invest in new technologies for treatment of various waste streams, generate incremental volumes of waste to be handled through Clean Earth's facilities from existing and acquired sales offices and service centers, obtain sufficient volumes of waste at prices which produce revenue sufficient to offset the operating costs of its facilities and minimize downtime and disruptions of operations.

Clean Earth is also cyclical to the extent that it is dependent upon outdoor construction which may be limited due to colder weather, and dredging which may be limited due to environmental restrictions in certain waterways in the Northeastern United States. If those cyclical industries slow significantly, the business that Clean Earth receives from them would likely decrease.

Clean Earth's insurance policies do not cover all losses, costs, or liabilities that it may experience.

Clean Earth maintains insurance coverage, but these policies do not cover all of its potential losses, costs, or liabilities. Clean Earth could suffer losses for uninsurable or uninsured risks or in amounts in excess of its existing insurance coverage which would significantly affect its financial performance. For example, Clean Earth's pollution legal liability insurance excludes costs related to fines, penalties, or assessments. Clean Earth's insurance policies also have deductibles and self-retention limits that could expose it to significant financial expense. Clean Earth's ability to obtain and maintain adequate insurance may be affected by conditions in the insurance market over which it have no control. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on Clean Earth's business, financial condition, and results of operations. In addition, Clean Earth's business requires that it maintain various types of insurance. If such insurance is not available or not available on economically acceptable terms, Clean Earth's and our businesses could be materially and adversely affected.

Risks Relating to the Asset Sale

The Asset Purchase Agreement may be terminated in accordance with its terms, or the Asset Sale may otherwise not be consummated.

The Asset Purchase Agreement contains conditions that must be fulfilled before a closing may occur. The Asset Purchase Agreement also contains certain rights to terminate the agreement prior to the closing, including the right of either the Company or the Acquiror to terminate the Asset Sale (i) if the closing has not occurred by February 8, 2020, which date may be extended by either party to May 8, 2020 under the circumstances specified in the Asset Purchase Agreement, (ii) if the closing would violate a final, non-appealable order of a governmental authority having competent jurisdiction and (iii) in the event of certain material breaches of the Asset Purchase Agreement by the other party or parties. There can be no assurance that the conditions to closing will be satisfied or waived, that other events will not intervene to delay or prevent the completion of the Asset Sale or that the Asset Sale will be consummated when expected, on the terms proposed or at all. The consummation of the private financing transaction is not conditioned upon the consummation of the Asset Sale. In addition, we intend to use the net proceeds of the Asset Sale to pay certain indebtedness. If the Asset Sale is not consummated, our ability to service our indebtedness, including the private debt financing, may be adversely impacted and our financial condition and results of operations may be adversely affected.

The pendency of the Asset Sale could adversely affect our business, financial results, and operations.

The announcement and pendency of the Asset Sale could cause disruptions and create uncertainty surrounding our business and affect our relationships with our customers and employees. In addition, we have diverted, and will continue to divert, significant management resources to complete the Asset Sale, which could have a negative impact on our ability to manage our existing operations or our business and operations after we acquire Clean Earth, or make it more difficult to pursue alternative strategic transactions. Until the consummation of the Asset Sale, we will not receive any of the potential benefits from the Asset Sale, including the cash proceeds from the Asset Sale, which we intend to use to repay certain senior indebtedness. A delay in the consummation of the Asset Sale or the receipt of the cash proceeds therefrom could adversely affect our ability to service our indebtedness, including the private debt financing.

If the Asset Sale is not consummated, our actual financial position and results of operations will differ materially from the unaudited pro forma financial information.

The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of what our actual financial position or results of operations would have been had the Transactions been consummated on the dates indicated. In particular, the unaudited pro forma consolidated financial information reflects the consummation of the Asset Sale, which has yet to occur and no assurance can be made that it will occur in the expected timeframe or at all. In the event the Asset Sale does not occur, but the Acquisition and the private debt financing are consummated, our actual financial position and results of operations will be significantly different than the unaudited pro forma financial information.

Exhibit 99.3

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

On May 8, 2019, we, solely in our capacity as guarantor to the Acquisition, and CH LLC, entered into a stock purchase agreement with Clean Earth, the Sellers and the Sellers' Representative. Upon the terms and subject to the conditions set forth in the Acquisition Agreement, CH LLC will acquire all of the issued and outstanding common stock of Clean Earth for a purchase price of $625 million, subject to adjustments, including the working capital and indebtedness balances of Clean Earth at the time of the closing.

We intend to use the net proceeds from the private debt financing together with borrowings under our Revolving Credit Facility to pay for the Acquisition consideration and related fees, costs and expenses. The consummation of the private financing transaction is conditioned on the contemporaneous closing of the Acquisition.

On May 8, 2019, we also entered into an Asset Purchase Agreement with Acquiror, and, solely to guarantee the performance of the Acquiror's obligations under the Asset Purchase Agreement, Chart Industries, Inc., a Delaware corporation. Upon the terms and subject to the conditions of the Asset Purchase Agreement, we have agreed to sell, and the Acquiror has agreed to acquire, Air-X-Changers for aggregate cash consideration of $592 million, which is subject to adjustment based on the working capital balance of Air-X-Changers at the time of the consummation of the Asset Sale, plus the assumption by the Acquiror of the liabilities of Air-X-Changers specified in the Asset Purchase Agreement.

We intend to use a portion of the proceeds from the Asset Sale to repay up to $320 million of our Term Loan Facility and $150 million of our Revolving Credit Facility. The Acquisition and the private debt financing are not conditioned on the closing of the Asset Sale.

The following unaudited pro forma condensed consolidated financial statements of Harsco, including the explanatory notes (collectively the "pro forma financial statements"), present how the financial statements may have appeared had the private debt financing and our borrowings under our Revolving Credit Facility, as well as the use of proceeds therefrom, including the consummation of each of the Acquisition and the Asset Sale and related transactions and the payment of associated transaction fees and expenses occurred at earlier dates. The unaudited pro forma condensed consolidated statements of operations for each period presented give effect to the Transactions as if they had occurred on January 1, 2018, the first day of the year ended December 31, 2018. The unaudited pro forma condensed consolidated balance sheet as of March 31, 2019 combines the historical consolidated balance sheets giving effect to the Transactions as if they had occurred on March 31, 2019. The summary unaudited pro forma consolidated financial information for the twelve months ended March 31, 2019 has been calculated by adding the unaudited pro forma condensed consolidated financial statements for the three months ended March 31, 2019 to the unaudited pro forma condensed consolidated financial statements for the year ended December 31, 2018, and then subtracting the unaudited pro forma condensed consolidated financial statements for the three months ended March 31, 2018.

The historical consolidated financial information has been adjusted in the pro forma financial statements to give effect to pro forma events that are (i) directly attributable to the Transactions, (ii) factually supportable, and (iii) with respect to the statements of operations, expected to have a continuing impact on Harsco's consolidated operating results. The unaudited pro forma adjustments are based upon available information and certain assumptions that our management believes are reasonable. The pro forma financial statements should be read in conjunction with the explanatory notes to the pro forma financial statements. In addition, the pro forma financial statements were based on, and should be read in conjunction with, the following historical consolidated financial statements and accompanying notes:

- audited historical consolidated financial statements of Harsco as of, and for the year ended, December 31, 2018, and the related notes;
- audited historical consolidated financial statements of Clean Earth as of, and for the year ended, December 31, 2018, and the related notes;
- unaudited historical condensed consolidated financial statements of Harsco as of, and for the three months ended March 31, 2019 and 2018, and the related notes; and
- unaudited historical condensed consolidated financial statements of Clean Earth as of, and for the three months ended March 31, 2019 and 2018, and the related notes.

The pro forma financial statements and explanatory notes are presented for informational purposes only and do not purport to represent what the results of operations or financial condition would have been had the Transactions occurred on the dates indicated nor do they purport to project the results of operations or financial condition for any future period or as of any future date. We may be required to prepare pro forma financial statements in accordance with Article 11 of Regulation S-X following the consummation of the private debt financing, the Acquisition and/or Asset Sale. No assurance can be made that differences may not exist.

The Acquisition is considered a business combination and therefore will be accounted for under the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 805—Business Combinations.

We intend to commence the necessary valuation and other studies required to complete the acquisition accounting promptly upon completion of the Acquisition and will finalize the acquisition accounting as soon as practicable within the required measurement period, but in no event later than one year following completion of the Acquisition.

The pro forma financial statements do not reflect the costs of any integration activities or benefits that may result from the realization of future costs savings from operating efficiencies or revenue synergies that may result from the Transactions. Additionally, the pro forma financial statements do not reflect the impact of the Credit Agreement Amendment as the amendment is not directly attributable to the Transactions.

HARSCO CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2019

(in thousands)	Historical Harsco As reported	Historical Clean Earth (Note 3)	Acquisition Adjustments (Note 5)	Air-X-Changers Sale Adjustments (Note 6)	Financing Adjustments (Note 7)	Pro Forma
ASSETS						
Current assets:						
Cash and cash equivalents	$ 84,743	$ 462	$ (616,007)(a)	$ 470,000 (b)	$ 146,007 (a)	$ 85,205
Restricted cash	2,942	—	—	—	—	2,942
Trade accounts receivable, net	296,795	58,025	—	(25,674)(a)	—	329,146
Other receivables	51,130	1,745	—	(19)(a)	—	52,856
Inventories	147,696	505	—	(2,295)(a)	—	145,906
Current portion of contract assets	17,478	—	—	(13,824)(a)	—	3,654
Other current assets	45,219	7,362	—	(547)(a)	—	52,034
Total current assets	646,003	68,099	(616,007)	427,641	146,007	671,743
Property, plant and equipment, net	483,448	61,420	9,625 (b)	(16,794)(a)	—	537,699
Right-of-use assets, net	49,584	17,037	—	(11,414)(a)	—	55,207
Goodwill	412,449	140,483	186,507 (c)	(6,839)(a)	—	732,600
Intangible assets, net	78,753	131,342	123,658 (d)	(10,205)(a)	—	323,548
Deferred income tax assets	50,051	—	(26,844)(e)	—	—	23,207
Other assets	17,273	3,903	—	—	—	21,176
Total assets	$ 1,737,561	$ 422,284	$ (323,061)	$ 382,389	$ 146,007	$2,365,180
LIABILITIES						
Current liabilities:						
Short-term borrowings	$ 6,426	$ —	$ —	$ —	$ —	$ 6,426
Current maturities of long-term debt	6,538	2,634	(2,156)(f)	—	—	7,016
Accounts payable	159,037	20,937	(570)(g)	(11,420)(a)	—	167,984
Accrued compensation	37,483	2,505	—	(1,514)(a)	—	38,474
Income taxes payable	1,598	—	—	—	—	1,598
Insurance liabilities	40,830	—	—	—	—	40,830
Current portion of advances on contracts	37,014	—	—	(3,385)(a)	—	33,629
Current portion of operating lease liabilities	12,936	3,165	—	(1,261)(a)	—	14,840
Other current liabilities	122,721	13,252	761 (h)	(4,451)(a)	—	132,283
Total current liabilities	424,583	42,493	(1,965)	(22,031)	—	443,080
Long-term debt	642,375	214,564	(213,425)(f)	—	151,534 (b)	795,048
Insurance liabilities	20,384	—	—	—	—	20,384
Retirement plan liabilities	201,572	—	—	—	—	201,572
Advances on contracts	27,478	—	—	—	—	27,478
Operating lease liabilities	37,037	14,065	—	(10,281)(a)	—	40,821
Other liabilities	48,860	30,762	21,257 (i)	1,003 (a)	—	101,882
Total liabilities	1,402,289	301,884	(194,133)	(31,309)	151,534	1,630,265
COMMITMENTS AND CONTINGENCIES						
HARSCO CORPORATION STOCKHOLDERS' EQUITY						
Preferred stock	—	—	—	—	—	—
Common stock	143,178	1	(1)(j)	—	—	143,178
Additional paid-in capital	192,912	116,308	(116,308)(j)	—	—	192,912
Accumulated other comprehensive loss	(584,425)	—	—	—	—	(584,425)
Retained earnings	1,340,878	4,091	(12,620)(j)	413,698 (c)	(5,527)(b)	1,740,520
Treasury stock	(805,520)	—	—	—	—	(805,520)
Total Harsco Corporation stockholders' Equity	287,023	120,400	(128,929)	413,698	(5,527)	686,665
Noncontrolling interest	48,249	—	—	—	—	48,249
Total equity	335,272	120,400	(128,929)	413,698	(5,527)	734,914
Total liabilities and equity	$ 1,737,561	$ 422,284	$ (323,061)	$ 382,389	$ 146,007	$2,365,180

See accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

HARSCO CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

(in thousands, except share and per share amounts)	Historical Harsco	Historical Clean Earth	Acquisition Adjustments		Air-X-Changers Sale Adjustments		Financing Adjustments		Pro Forma
	As reported	(Note 3)	(Note 5)		(Note 6)		(Note 7)		
Revenues from continuing operations:									
Service revenues	$1,007,239	$ 266,916	$ —		$ —		$ —		$ 1,274,155
Product revenues	715,141	—	—		(207,153)	(a)	—		507,988
Total revenues	1,722,380	266,916	—		(207,153)		—		1,782,143
Costs and expenses from continuing operations:									
Cost of services sold	780,930	205,660	(5,157)	(b)(d)	—		—		981,433
Cost of products sold	507,807	—	—		(145,905)	(a)	—		361,902
Selling, general and administrative expenses	238,690	46,691	(519)	(d)(g)	(17,793)	(a)	—		267,069
Research and development expenses	5,548	—	—		(40)	(a)	—		5,508
Other (income) expenses, net	(1,522)	552	—		(48)	(a)	—		(1,018)
Total costs and expenses	1,531,453	252,903	(5,676)		(163,786)		—		1,614,894
Operating income from continuing operations	190,927	14,013	5,676		(43,367)		—		167,249
Interest income	2,155	34	—		—		—		2,189
Interest expense	(38,148)	(17,359)	17,348	(f)	55	(a)	(17,438)	(c)	(55,542)
Defined benefit pension income	3,447	—	—		—		—		3,447
Loss on early extinguishment of debt	(1,127)	—	—		—		—		(1,127)
Income from continuing operations before income taxes and equity income	157,254	(3,312)	23,024		(43,312)		(17,438)		116,216
Income tax expense	(12,899)	2,458	(5,642)	(k)	10,780	(d)	4,273	(d)	(1,030)
Equity income of unconsolidated entities, net	384	—	—		—		—		384
Income from continuing operations	144,739	(854)	17,382		(32,532)		(13,165)		115,570
Less: Income from continuing operations attributable to noncontrolling interests	(7,956)	—	—		—		—		(7,956)
Income from continuing operations attributable to Harsco Corporation	$ 136,783	$ (854)	$17,382		$ (32,532)		$(13,165)		$ 107,614
Basic earnings from continuing operations per common share attributable to Harsco Corporation common stockholders	$ 1.69								$ 1.33
Average number of shares outstanding used in basic earnings per share computation	80,716								80,716
Diluted earnings from continuing operations per common share attributable to Harsco Corporation common stockholders	$ 1.64								$ 1.29
Average number of shares outstanding used in basic earnings per share computation	83,595								83,595

See accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

HARSCO CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2019

(in thousands, except share and per share amounts)	Historical Harsco As reported	Historical Clean Earth (Note 3)	Acquisition Adjustments (Note 5)	Air-X-Changers Sale Adjustments (Note 6)	Financing Adjustments (Note 7)	Pro Forma
Revenues from continuing operations:						
Service revenues	$ 229,520	$ 63,632	$ —	$ —	$ —	$ 293,152
Product revenues	217,768	—	—	(76,195)(a)	—	141,573
Total revenues	447,288	63,632	—	(76,195)	—	434,725
Costs and expenses from continuing operations:						
Cost of services sold	181,871	50,583	(1,346)(b)(d)	—	—	231,108
Cost of products sold	157,004	—	—	(55,132)(a)	—	101,872
Selling, general and administrative expenses	67,029	11,927	(960)(d)(g)	(6,151)(a)	—	71,845
Research and development expenses	1,262	—	—	(13)(a)	—	1,249
Other (income) expenses, net	1,876	1	—	—	—	1,877
Total costs and expenses	409,042	62,511	(2,306)	(61,296)	—	407,951
Operating income from continuing operations	38,246	1,121	2,306	(14,899)	—	26,774
Interest income	534	12	—	—	—	546
Interest expense	(9,739)	(4,864)	4,864(f)	—	(4,284)(c)	(14,023)
Defined benefit pension expense	(1,337)	—	—	—	—	(1,337)
Income from continuing operations before income taxes and equity income	27,704	(3,731)	7,170	(14,899)	(4,284)	11,960
Income tax expense	(4,855)	1,021	(1,757)(k)	3,708(d)	1,050(d)	(833)
Equity income of unconsolidated entities, net	20	—	—	—	—	20
Income from continuing operations	22,869	(2,710)	5,413	(11,191)	(3,234)	11,147
Less: Income from continuing operations attributable to noncontrolling interests	(1,840)	—	—	—	—	(1,840)
Income from continuing operations attributable to Harsco Corporation	$ 21,029	$ (2,710)	$ 5,413	$ (11,191)	$ (3,234)	$ 9,307
Basic earnings from continuing operations per common share attributable to Harsco Corporation common stockholders	$ 0.26					$ 0.12
Average number of shares outstanding used in basic earnings per share computation	79,907					79,907
Diluted earnings from continuing operations per common share attributable to Harsco Corporation common stockholders	$ 0.26					$ 0.11
Average number of shares outstanding used in basic earnings per share computation	81,653					81,653

See accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

HARSCO CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2018

(in thousands, except share and per share amounts)	Historical Harsco As reported	Historical Clean Earth (Note 3)	Acquisition Adjustments (Note 5)		Air-X-Changers Sale Adjustments (Note 6)		Financing Adjustments (Note 7)		Pro Forma
Revenues from continuing operations:									
Service revenues	$ 244,209	$ 58,221	$ —		$ —		$ —		$ 302,430
Product revenues	163,829	—	—		(44,259)	(a)	—		119,570
Total revenues	408,038	58,221	—		(44,259)		—		422,000
Costs and expenses from continuing operations:									
Cost of services sold	191,675	46,239	(842)	(b) (d)	—		—		237,072
Cost of products sold	119,678	—	—		(30,283)	(a)	—		89,395
Selling, general and administrative expenses	57,083	11,207	(100)	(d) (g)	(3,901)	(a)	—		64,289
Research and development expenses	1,239	—	—		(13)	(a)	—		1,226
Other (income) expenses, net	1,822	55	—		(26)	(a)	—		1,851
Total costs and expenses	371,497	57,501	(942)		(34,223)		—		393,833
Operating income from continuing operations	36,541	720	942		(10,036)		—		28,167
Interest income	498	—	—		—		—		498
Interest expense	(9,583)	(3,653)	3,649	(f)	17	(a)	(4,277)	(c)	(13,847)
Defined benefit pension income	839	—	—		—		—		839
Income from continuing operations before income taxes and equity income	28,295	(2,933)	4,591		(10,019)		(4,277)		15,657
Income tax expense	(8,266)	617	(1,125)	(k)	2,494	(d)	1,048	(d)	(5,232)
Equity income of unconsolidated entities, net	—	—	—		—		—		—
Income from continuing operations	20,029	(2,316)	3,466		(7,525)		(3,229)		10,425
Less: Income from continuing operations attributable to noncontrolling interests	(1,769)	—	—		—		—		(1,769)
Income from continuing operations attributable to Harsco Corporation	$ 18,260	$ (2,316)	$ 3,466		$ (7,525)		$ (3,229)		$ 8,656
Basic earnings from continuing operations per common share attributable to Harsco Corporation common stockholders	$ 0.23								$ 0.11
Average number of shares outstanding used in basic earnings per share computation	80,650								80,650
Diluted earnings from continuing operations per common share attributable to Harsco Corporation common stockholders	$ 0.22								$ 0.10
Average number of shares outstanding used in basic earnings per share computation	83,544								83,544

See accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

HARSCO CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2019

(in thousands, except share and per share amounts)	Historical Harsco	Historical Clean Earth (Note 3)	Acquisition Adjustments (Note 5)		Air-X-Changers Sale Adjustments (Note 6)		Financing Adjustments (Note 7)		Pro Forma
Revenues from continuing operations:									
Service revenues	$ 992,550	$272,327	$ —		$ —		$ —		$1,264,877
Product revenues	769,080	—	—		(239,089)	(a)	—		529,991
Total revenues	1,761,630	272,327	—		(239,089)		—		1,794,868
Costs and expenses from continuing operations:									
Cost of services sold	771,126	210,004	(5,661)	(b) (d)	—		—		975,469
Cost of products sold	545,133	—	—		(170,754)	(a)	—		374,379
Selling, general and administrative expenses	248,636	47,411	(1,379)	(d) (g)	(20,043)	(a)	—		274,625
Research and development expenses	5,571	—	—		(40)	(a)	—		5,531
Other (income) expenses, net	(1,468)	498	—		(22)	(a)	—		(992)
Total costs and expenses	1,568,998	257,913	(7,040)		(190,859)		—		1,629,012
Operating income from continuing operations	192,632	14,414	7,040		(48,230)		—		165,856
Interest income	2,191	46	—		—		—		2,237
Interest expense	(38,304)	(18,570)	18,563	(f)	38	(a)	(17,445)	(c)	(55,718)
Defined benefit pension income	1,271	—	—		—		—		1,271
Loss on early extinguishment of debt	(1,127)	—	—		—		—		(1,127)
Income from continuing operations before income taxes and equity income	156,663	(4,110)	25,603		(48,192)		(17,445)		112,519
Income tax (expense) benefit	(9,488)	2,862	(6,274)	(k)	11,995	(d)	4,275	(d)	3,370
Equity income of unconsolidated entities, net	404	—	—		—		—		404
Income from continuing operations	147,579	(1,248)	19,329		(36,197)		(13,170)		116,293
Less: Income from continuing operations attributable to noncontrolling interests	(8,027)	—	—		—		—		(8,027)
Income from continuing operations attributable to Harsco Corporation	$ 139,552	$ (1,248)	$19,329		$ (36,197)		$(13,170)		$ 108,266
Basic earnings from continuing operations per common share attributable to Harsco Corporation common stockholders	$ 1.73								$ 1.34
Average number of shares outstanding used in basic earnings per share computation	80,533								80,533
Diluted earnings from continuing operations per common share attributable to Harsco Corporation common stockholders	$ 1.68								$ 1.30
Average number of shares outstanding used in basic earnings per share computation	83,129								83,129

See accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Description of the Transactions

On May 8, 2019, Harsco Corporation (the "Company", "we", "our" or "Harsco"), and Calrissian Holdings, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company ("Calrissian"), entered into a Stock Purchase Agreement (the "Acquisition Agreement") with CEHI Acquisition Corporation, a Delaware corporation ("Clean Earth"), the holders of stock and options in Clean Earth and Compass Group Diversified Holdings LLC ("Compass"), a Delaware limited liability company. Upon the terms and subject to the conditions set forth in the Acquisition Agreement, Calrissian will acquire all issued and outstanding common stock of Clean Earth (the "Acquisition") for a purchase price of $625.0 million, subject to adjustments, including the working capital and indebtedness balances of Clean Earth at the time of the closing.

We intend to use the net proceeds from the private debt financing, as described herein, together with borrowings under our Revolving Credit Facility, to pay for the Acquisition consideration and related fees, costs and expenses.

Additionally, on May 8, 2019, Harsco entered into the Asset Purchase Agreement with E&C FinFan, Inc., a Delaware corporation (the "Acquiror"), and, solely to guarantee the performance of the Acquiror's obligations under the Asset Purchase Agreement, Chart Industries, Inc., a Delaware corporation. Upon the terms and subject to the conditions of the Asset Purchase Agreement, Harsco has agreed to sell the Company's Air-X-Changers business in our Harsco Industrial segment for aggregate cash consideration of $592 million, which is subject to adjustment based on the working capital balance of the Air-X-Changers business at the time of the closing, plus the assumption by the Acquiror of the liabilities of the Air-X-Changers business specified in the Asset Purchase Agreement (the "Asset Sale").

We intend to use a portion of the proceeds from the Asset Sale to repay up to $320 million of our Term Loan Facility and $150 million of our Revolving Credit Facility.

The Acquisition and Asset Sale are not conditioned on each other and the Acquisition and the private debt financing may be consummated and the Asset Sale may not be consummated or may be closed on different terms.

Note 2—Basis of Presentation

The unaudited pro forma condensed consolidated financial statements of Harsco, including the explanatory notes (collectively the "pro forma financial statements"), present the unaudited pro forma condensed consolidated financial position and results of operations of Harsco based upon the historical financial statements of Harsco and Clean Earth. The pro forma financial statements give effect to the Acquisition, the Asset Sale, and the related financing activities (collectively, the "Transactions"). The pro forma financial statements present how the financial statements may have appeared after giving effect to the Transactions and are intended to reflect the impact of such on Harsco's consolidated financial statements.

The Acquisition is a business combination and therefore will be accounted for under the acquisition method of accounting under Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 805—*Business Combinations*. Under the acquisition method of accounting, the total estimated purchase price of an acquisition is allocated to the net tangible and intangible assets based on their estimated fair values. Such valuations are based on available information and certain assumptions that management of Harsco and Clean Earth believe are reasonable. The preliminary allocation of the estimated purchase price to the tangible and intangible assets acquired and liabilities assumed is based on various preliminary estimates. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing these pro forma financial statements. Differences between these preliminary estimates and the final acquisition accounting, which will be based on the actual net tangible and identifiable intangible assets that exist as of the closing of the Acquisition, may occur and these differences could be material. The differences, if any, could have a material impact on the pro forma financial statements and Harsco's future results of operations and financial position.

The pro forma financial statements include certain reclassifications to align the historical presentation of Clean Earth with the presentation utilized by Harsco. See *Note 3—Reclassifications* herein for additional information on the reclassifications.

The unaudited pro forma condensed consolidated statements of operations ("pro forma statements of operations") do not reflect the non-recurring expenses expected to be incurred in connection with the Transactions, including fees to be paid to attorneys, accountants and other professional advisors, the write-off of deferred financing costs, and other transaction-related costs that will not be capitalized. However, the impact of such expenses are reflected in the unaudited pro forma condensed consolidated balance sheet ("pro forma balance sheet") as a decrease to retained earnings and a corresponding decrease to cash and cash equivalents.

Further, the pro forma financial statements do not reflect the costs of any integration activities or benefits that may result from the realization of future costs savings from operating efficiencies or revenue synergies that may result from the Transactions. As no assurance can be made that the costs will be incurred, or the cost or growth synergies will be achieved, no adjustment has been made. Additionally, the pro forma financial statements do not reflect the impact of the amendment to Harsco's Senior Secured Credit Facility as the amendment is not directly attributable to the Transactions.

Note 3—Reclassifications

Certain adjustments and reclassifications have been made to the historical presentation of Clean Earth's financial statements to conform to the presentation used by Harsco within the pro forma financial statements.

Balance Sheet Reclassifications: The following table summarizes the reclassifications made to Clean Earth's historical balance sheet to conform to Harsco's financial statement presentation.

As of March 31, 2019:

(in thousands)	Before Reclassification	Reclassification		After Reclassification
ASSETS				
Current assets:				
Cash and cash equivalents	$ 462	$ —		$ 462
Trade accounts receivable, net	58,025	—		58,025
Other receivables	—	1,745	(a)	1,745
Inventories	—	505	(b)	505
Prepaid income taxes	1,848	(1,848)	(c)	—
Other current assets	7,764	(402)	(a) (b) (c)	7,362
Total current assets	**68,099**	**—**		**68,099**
Property, plant and equipment, net	61,420	—		61,420
Right-of-use assets, net	17,037	—		17,037
Goodwill	140,483	—		140,483
Intangible assets, net	131,342	—		131,342
Other assets	3,903	—		3,903
Total assets	**$ 422,284**	**$ —**		**$ 422,284**
LIABILITIES				
Current liabilities:				
Current maturities of long-term debt	$ 2,634	$ —		$ 2,634
Accounts payable	20,845	92	(d)	20,937
Accrued compensation	—	2,505	(e)	2,505
Current portion of operating lease liabilities	3,165	—		3,165
Other current liabilities	15,849	(2,597)	(d) (e)	13,252
Total current liabilities	**42,493**	**—**		**42,493**
Long-term debt	214,564	—		214,564
Operating lease liabilities	14,065	—		14,065
Deferred income tax liabilities	28,704	(28,704)	(f)	—
Other liabilities	2,058	28,704	(f)	30,762
Total liabilities	**301,884**	**—**		**301,884**
EQUITY				
Common stock	1	—		1
Additional paid-in capital	116,308	—		116,308
Retained earnings	4,091	—		4,091
Total equity	**120,400**	**—**		**120,400**
Total liabilities and equity	**$ 422,284**	**$ —**		**$ 422,284**

(a) Reclassification of other receivables from other current assets to conform to Harsco’s balance sheet presentation of similar receivables.
(b) Reclassification of inventories from other current assets to conform to Harsco’s balance sheet presentation of inventories.
(c) Reclassification of prepaid income taxes to conform to Harsco’s balance sheet presentation within other current assets.
(d) Reclassification of payroll related accounts payable from other current liabilities to conform to Harsco’s balance sheet presentation.

(e) Reclassification of accrued compensation from other current liabilities to conform to Harsco's balance sheet presentation.
(f) Reclassification of deferred income tax liabilities to conform to Harsco's balance sheet presentation, which includes similar liabilities within other liabilities.

Statement of Operations Reclassifications: The following tables summarize certain reclassifications made to Clean Earth's historical statement of operations to conform to Harsco's financial statement presentation.

Year ended December 31, 2018:

(in thousands)	Before Reclassification	Reclassification		After Reclassification
Revenues				
Service revenues	$ 266,916	$ —		$ 266,916
Costs of expenses				
Cost of services sold	201,711	3,949	(a) (b) (e)	205,660
Selling, general and administrative expenses	50,262	(3,571)	(a) (c) (e)	46,691
Management fee	500	(500)	(c)	—
Other expenses, net	—	552	(a)	552
Total costs and expenses	**252,473**	**430**		**252,903**
Operating income	**14,443**	**(430)**		**14,013**
Interest income	—	34	(d)	34
Interest expense	(17,359)	—		(17,359)
Other income (loss)	(396)	396	(b) (d)	—
Loss before income taxes	**(3,312)**	**—**		**(3,312)**
Income tax benefit	2,458	—		2,458
Net loss	**$ (854)**	**$ —**		**$ (854)**

Three months ended March 31, 2019:

(in thousands)	Before Reclassification	Reclassification		After Reclassification
Revenues				
Service revenues	$ 63,632	$ —		$ 63,632
Costs of expenses				
Cost of services sold	49,476	1,107	(a) (b) (e)	50,583
Selling, general and administrative expenses	12,774	(847)	(c) (e)	11,927
Management fee	125	(125)	(c)	—
Other expenses, net	—	1	(a)	1
Total costs and expenses	**62,375**	**136**		**62,511**
Operating income	**1,257**	**(136)**		**1,121**
Interest income	—	12	(d)	12
Interest expense	(4,864)	—		(4,864)
Other income (loss)	(124)	124	(b) (d)	—
Loss before income taxes	**(3,731)**	**—**		**(3,731)**
Income tax benefit	1,021	—		1,021
Net loss	**$ (2,710)**	**$ —**		**$ (2,710)**

Three months ended March 31, 2018:

(in thousands)	Before Reclassification	Reclassification		After Reclassification
Revenues				
Service revenues	$ 58,221	$ —		$ 58,221
Costs of expenses				
Cost of services sold	45,399	840	(b) (e)	46,239
Selling, general and administrative expenses	11,938	(731)	(c) (e)	11,207
Management fee	125	(125)	(c)	—
Other expenses, net	—	55	(a)	55
Total costs and expenses	**57,462**	**39**		**57,501**
Operating income	**759**	**(39)**		**720**
Interest income	—	—		—
Interest expense	(3,653)	—		(3,653)
Other income (loss)	(39)	39	(b)	—
Loss before income taxes	**(2,933)**	**—**		**(2,933)**
Income tax benefit	617	—		617
Net loss	**$ (2,316)**	**$ —**		**$ (2,316)**

Twelve months ended March 31, 2019:

(in thousands)	Before Reclassification	Reclassification		After Reclassification
Revenues				
Service revenues	$ 272,327	$ —		$ 272,327
Costs of expenses				
Cost of services sold	205,788	4,216	(a) (b) (e)	210,004
Selling, general and administrative expenses	51,098	(3,687)	(a) (c) (e)	47,411
Management fee	500	(500)	(c)	—
Other expenses, net	—	498	(a)	498
Total costs and expenses	**257,386**	**527**		**257,913**
Operating income	**14,941**	**(527)**		**14,414**
Interest income	—	46	(d)	46
Interest expense	(18,570)	—		(18,570)
Other income (loss)	(481)	481	(b) (d)	—
Loss before income taxes	**(4,110)**	**—**		**(4,110)**
Income tax benefit	2,862	—		2,862
Net loss	**$ (1,248)**	**$ —**		**$ (1,248)**

(a) Reclassification of severance expenses out of cost of services sold and selling, general and administrative expenses to conform to Harsco's statement of operations presentation within other expenses, net.
(b) Reclassification of gains and/or losses on the sale of fixed assets to conform to Harsco's statement of operations presentation within cost of services sold.
(c) Reclassification of management fees to conform to Harsco's statement of operations presentation for similar costs within selling, general and administrative expenses.
(d) Reclassification of interest income out of other income (loss) to conform to Harsco's statement of operations presentation.
(e) Reclassification of certain intangible amortization expenses from selling, general and administrative expenses to cost of services sold to conform to Harsco's statement of operations presentation.

Note 4—Estimated Purchase Price and Preliminary Purchase Price Allocation

The pro forma financial statements include a preliminary allocation of the estimated purchase price of Clean Earth to the estimated fair values of assets acquired and liabilities assumed at the acquisition date, assuming the Acquisition occurred on March 31, 2019. The final allocation of the purchase price could differ materially from the preliminary allocation primarily because fluctuations in valuation variables at the time of completion of the Acquisition compared to the amounts assumed for the pro forma adjustments.

Estimated purchase price

The following is a summary of the estimated purchase price giving effect to the Acquisition as if it had been consummated on March 31, 2019:

(in thousands)	As of March 31, 2019
Estimated purchase price paid in cash at time of the Acquisition (1)	$ 606,907
Plus: Estimated contingent payment for tax benefits	11,900
Estimated purchase price	**$ 618,807**

(1) Represents the estimated purchase price of the Acquisition as if it had been consummated on March 31, 2019 to account for certain purchase price adjustments.

Preliminary purchase price allocation

The following is a summary of the preliminary purchase price allocation giving effect to the Acquisition as if it had been consummated on March 31, 2019:

(in thousands)	As of March 31, 2019
ASSETS	
Current assets:	
Cash and cash equivalents	$ 462
Trade accounts receivable, net	58,025
Other receivables	1,745
Inventories	505
Other current assets	7,362
Total current assets	**68,099**
Property, plant and equipment	71,045
Right-of-use assets, net	17,037
Goodwill	326,990
Intangible assets, net	255,000
Other assets	3,903
Total assets acquired	**$ 742,074**
LIABILITIES	
Current liabilities:	
Current maturities of long-term debt	478
Accounts payable	20,937
Accrued compensation	2,505
Current portion of operating lease liabilities	3,165
Other current liabilities	14,013
Total current liabilities	**41,098**
Long-term debt	1,139
Operating lease liabilities	14,065
Other liabilities	66,965
Total liabilities assumed	**123,267**
Net assets acquired	**$ 618,807**

Note 5—Acquisition Related Pro Forma Adjustments

The pro forma financial statements reflect the following adjustments related to the Acquisition:

(a) Cash and cash equivalents

Adjustment to cash and cash equivalents for the following:

(in thousands)	As of March 31, 2019
Cash paid for the Acquisition (1)	$ (606,907)
Cash paid for transaction costs related to the Acquisition (2)	(9,100)
Adjustment to cash	**$ (616,007)**

(1) Represents the estimated purchase price of the Acquisition as if it had been consummated on March 31, 2019 to account for certain purchase price adjustments.

(2) Represents professional fees paid or expected to be paid in connection with the Acquisition. Any amounts not recorded in the historical financial statements of Harsco through March 31, 2019 were adjusted through the pro forma balance sheet and recorded against retained earnings solely for the purposes of this presentation. As there is no continuing impact of these transaction costs on Harsco's results, the fees are not included in the pro forma statements of operations.

(b) Property, plant and equipment, net and depreciation expense

Adjustment to the carrying value of Clean Earth's property, plant and equipment from its recorded net book value to its preliminary estimated fair value. The estimated fair value is expected to be depreciated over the estimated useful lives, on a straight-line basis. The following table is a summary of information related to property, plant and equipment, including information used to calculate the pro forma change in depreciation expense:

			Depreciation Expense			
(dollars in thousands)	Estimated Useful Life	Fair Value as of March 31, 2019	Year ended December 31, 2018	Three months ended March 31, 2019	Three months ended March 31, 2018	Twelve months ended March 31, 2019
Land	N/A	$ 10,739	$ —	$ —	$ —	$ —
Buildings and improvements	4.5-20 years (1)	19,686	1,104	276	276	1,104
Machinery and equipment	1-9 year(s)	38,863	5,320	1,330	1,330	5,320
Uncompleted construction	N/A	1,757	—	—	—	—
Total fair value of acquired PP&E		**$ 71,045**	**$ 6,424**	**$ 1,606**	**$ 1,606**	**$ 6,424**
Less: Clean Earth's historical PP&E		61,420	9,832	2,585	2,203	10,214
Pro forma adjustment to PP&E		**$ 9,625**	**$ (3,408)**	**$ (979)**	**$ (597)**	**$ (3,790)**

(1) Leasehold improvements are amortized over 4.5 years.

Corresponding adjustments were made to depreciation expense in the pro forma statements of operations as a result of the fair value adjustments to property, plant and equipment as well as changes in useful lives.

Pro forma adjustments related to depreciation expense had the following impacts on cost of services sold and selling, general and administrative expenses:

(in thousands)	Year ended December 31, 2018	Three months ended March 31, 2019	Three months ended March 31, 2018	Twelve months ended March 31, 2019
Cost of services sold	$ (2,955)	$ (808)	$ (497)	$(3,266)
Selling, general and administrative expenses	(453)	(171)	(100)	(524)
Total pro forma adjustment	**$ (3,408)**	**$ (979)**	**$ (597)**	**$(3,790)**

The preliminary valuations above, including assignment of useful lives, are based on benchmarking analysis performed with respect to publicly available acquisitions of similar businesses. Final determination of fair value of property, plant and equipment, as well as estimated useful lives, remains subject to change. The finalization may have a material impact on the valuation of property, plant and equipment and the purchase price allocation, which is expected to be finalized subsequent to the Acquisition.

The estimate of fair value and estimated useful lives is preliminary and subject to change once Harsco has sufficient information as to the specific types, nature, age, condition and location of Clean Earth's property, plant and equipment.

With other assumptions held constant, a 10% change to the fair value of the property, plant and equipment would result in an increase or decrease to depreciation expense of $0.6 million annually and $0.2 million for a three-month period.

(c) Goodwill

Adjustment to goodwill represents the excess of the purchase price over the preliminary fair value of the underlying net tangible and identifiable intangible assets net of liabilities, as shown in *Note 4— Estimated Purchase Price and Preliminary Purchase Price Allocation*. The adjustment is the difference between the estimated goodwill acquired of $327.0 million and the amount recorded in Clean Earth's historical financial statements of $140.5 million. The goodwill created in the Acquisition is not deductible for tax purposes.

The adjustment to goodwill is preliminary and subject to change based upon final determination of the fair value of underlying net tangible and identifiable intangible assets acquired net of liabilities assumed and finalization of the purchase price.

(d) Intangible assets, net and amortization expense

Adjustment to the carrying value of Clean Earth's intangible assets from recorded net book value to preliminary estimated fair value. The estimated fair value is expected to be amortized over the estimated useful lives, on a straight-line basis. The following table is a summary of information related to intangible assets, including information used to calculate the pro forma change in amortization expense:

			Amortization Expense			
(dollars in thousands)	Estimated Useful Life	Fair Value as of March 31, 2019	Year ended December 31, 2018	Three months ended March 31, 2019	Three months ended March 31, 2018	Twelve months ended March 31, 2019
Tradenames and trademarks	12.5 years	$ 20,000	$ 1,600	$ 400	$ 400	$ 1,600
Customer relationships	13.5 years	95,000	7,037	1,759	1,759	7,037
Permits and rights	46.5 years	140,000	3,011	753	753	3,011
Total fair value of acquired intangible assets		**$ 255,000**	**$ 11,648**	**$ 2,912**	**$ 2,912**	**$ 11,648**
Less: Clean Earth's historical intangible assets		131,342	13,850	3,450	3,257	14,043
Pro forma adjustment to intangible assets, net		**$ 123,658**	**$ (2,202)**	**$ (538)**	**$ (345)**	**$ (2,395)**

Corresponding adjustments were made to amortization expense in the pro forma statements of operations as a result of the fair value adjustments to intangible assets as well as changes in useful lives.

The preliminary valuations above, including assignment of useful lives, are based on benchmarking analysis performed with respect to publicly available acquisitions of similar businesses. Final determination of fair value of intangible assets, as well as estimated useful lives, remains subject to change. The finalization may have a material impact on the valuation of intangible assets and the purchase price allocation, which is expected to be finalized subsequent to the Acquisition.

With other assumptions held constant, a 10% change to the fair value of the acquired finite live intangible assets would result in an increase or decrease to amortization expense of $1.2 million annually and $0.3 million for a three-month period.

(e) Deferred income tax assets

Adjustment to reclassify Harsco's historical March 31, 2019 deferred tax asset to net against the pro forma deferred tax liability balance, as a result of acquired deferred tax liabilities from Clean Earth as well as an increase in deferred tax liabilities in certain jurisdictions resulting from purchase accounting (refer to *Note 5(i)*).

(f) Long-term debt, including current maturities, and interest expense

Adjustments to long-term debt resulted in total decreases of $2.2 million and $213.4 million for current and non-current portions, respectively. These adjustments related to the extinguishment of Clean Earth's historical debt obligations which are expected to be completed prior to the closing of the

Acquisition. A corresponding adjustment was made to the pro forma statements of operations to eliminate historical interest expense related to the Clean Earth debt that will be extinguished prior to the consummation of the Acquisition.

(g) Accounts payable

Adjustment to remove $0.6 million of transaction costs related to the Acquisition that were historically recorded by Harsco at March 31, 2019 but are being presented in the pro forma balance sheet as being paid in cash on March 31, 2019 (refer to *Note 5(a)*). A corresponding adjustment was made to the pro forma statement of operations to eliminate one-time non-recurring transaction costs directly attributable to the Acquisition.

(h) Other current liabilities and transaction costs

Adjustment to increase other current liabilities by $0.8 million includes recording the current portion of a liability related to the securing of air rights payable over a period of 6 years which was entered into by Clean Earth subsequent to March 31, 2019 but prior to execution of the Acquisition Agreement totaling $3.0 million, partially offset by the removal of accrued interest totaling $2.2 million related to the long-term debt discussed in *Note 5(f)*.

(i) Other liabilities

Adjustment to increase other liabilities by $21.3 million includes recording the non-current portion of a liability related to the securing of air rights payable over a period of 6 years which was entered into by Clean Earth subsequent to March 31, 2019 but prior to execution of the Acquisition Agreement totaling $12.2 million. This adjustment also includes an increase in deferred income tax liabilities resulting from recognizing the deferred tax liability arising from the valuation of Clean Earth's intangibles on the date the Acquisition Agreement was entered into of $35.9 million, partially offset by the reclassification of Harsco's historical March 31, 2019 deferred tax assets of $26.9 million to net against the pro forma deferred tax liability balance (refer to *Note 5 (e)*).

Additionally, other liabilities were impacted by the recognition of an $11.9 million deferred tax asset related to net operating losses for certain transaction costs, which would appear within this caption due to jurisdiction netting of deferred tax positions. This was offset by the adjustment to record the estimated contingent payable to Compass of $11.9 million for those tax benefits, in accordance with the Acquisition Agreement (refer to *Note 4*).

(j) Stockholders' equity

Adjustments to eliminate the historical stockholders' equity of Clean Earth. Adjustment also includes $8.5 million of transaction costs that are presented on the pro forma balance sheet which were not historically recorded by Harsco through March 31, 2019. These costs are being presented in the pro forma balance sheet as being paid in cash on March 31, 2019 (refer to *Note 5(a)*). No corresponding adjustment was made to the pro forma statement of operations as these are one-time non-recurring transaction costs which are directly attributable to the Acquisition.

(k) Tax expense

Adjustment to record the income tax impacts of the pro forma adjustments using a blended statutory tax rate of 24.5%. This rate does not reflect Harsco's effective tax rate, which will include other items and may be significantly different than the rates assumed for purposes of preparing these statements.

Note 6—Asset Sale Related Pro Forma Adjustments

The pro forma financial statements reflect the following adjustments related to the Asset Sale:

(a) Historical results

Adjustment to remove the historical results of the Air-X-Changers business from the historical statements of operations of Harsco as if the Asset Sale had occurred on January 1, 2018 and to remove the historical assets and liabilities of the Air-X-Changers business from the historical balance sheet of Harsco as if the Asset Sale had occurred on March 31, 2019.

(b) Cash proceeds

Adjustment to cash and cash equivalents represents the net cash received from the sale of the Air-X-Changers business. Amount was calculated as gross sales proceeds of $592.0 million less the expected income tax obligation and transaction costs of $114.0 million and $8.0 million, respectively. An adjustment was made to eliminate the estimated transaction costs related to the Asset Sale expected to be incurred through the consummation of the Transactions. These costs are recorded against retained earnings solely for the purpose of this presentation. As there is no continuing impact of these transaction costs on Harsco's results, these fees are not included in the pro forma statements of operations.

(c) Retained earnings

Reflects the impact to Harsco's retained earnings from the pro forma adjustments described above. Adjustment to retained earnings approximates the estimated gain on the Asset Sale, net of tax impact and transaction costs.

(d) Tax expense

Adjustment to record the income tax impacts of the pro forma adjustments using a blended statutory tax rate of 24.9% for Air-X-Changers. This rate does not reflect Harsco's effective tax rate, which will include other items and may be significantly different than the rates assumed for purposes of preparing these pro forma financial statements.

Note 7—Financing Related Pro Forma Adjustments

The pro forma financial statements reflect the following adjustments related to the financing transactions, including the financing transaction utilized to fund the Acquisition as well as financing activity resulting from the Asset Sale:

(a) Cash and cash equivalents

The following is a summary of the adjustment to cash and cash equivalents giving effect to the financing transactions as if they had been consummated on March 31, 2019:

(in thousands)	As of March 31, 2019
The Acquisition	
Proceeds from the private debt financing	$ 500,000
Cash paid for fees related to the private debt financing and the Bridge Loan Commitment	(14,770)
Proceeds from Harsco's Revolving Credit Facility	130,777
Adjustment to cash related to the Acquisition	**616,007**
The Asset Sale	
Repayment on Harsco's Revolving Credit Facility	(150,000)
Repayment on Harsco's Term Loan Facility	(320,000)
Adjustment to cash related to the Asset Sale	**(470,000)**
Total adjustment to cash	**$ 146,007**

(b) Long-term debt, including deferred financing costs

Adjustment to long-term debt represents the following:

(in thousands)	As of March 31, 2019
The Acquisition	
Proceeds from the private debt financing	$ 500,000
Proceeds from Harsco's Revolving Credit Facility	130,777
Cash paid for fees related to the private debt financing and the Bridge Loan Commitment	(14,770)
Adjustment to long-term debt related to the Acquisition	**616,007**
The Asset Sale	
Repayment on Harsco's Revolving Credit Facility	(150,000)
Repayment on Harsco's Term Loan Facility	(320,000)
Write-off historical financing fees related to Term Loan Facility	5,527
Adjustment to long-term debt related to the Asset Sale	(464,473)
Total adjustment to long-term debt	**$ 151,534**

Adjustment to write-off historical financing fees was recorded against retained earnings solely for the purposes of this presentation. As there is no continuing impact of the write-off of these costs on Harsco's results, these fees are not included in the pro forma statements of operations.

(c) Interest expense

Adjustment to interest expense consists of the following:

(in thousands)	Year ended December 31, 2018	Three months ended March 31, 2019	Three months ended March 31, 2018	Twelve months ended March 31, 2019
The Acquisition				
Record interest expense related to the private debt financing and amounts drawn on the Revolving Credit Facility (1)	38,111	$ 9,440	$ 9,325	$ 38,226
Record amortization of new deferred financing fees related to the private debt financing (2)	1,429	373	348	1,454
Adjustment related to the Acquisition	39,540	9,813	9,673	39,680
The Asset Sale				
Eliminate historical term loan interest expense for payments on the Term Loan Facility and the Revolving Credit Facility (3)	(22,102)	(5,529)	(5,396)	(22,235)
Adjustment related to the Asset Sale	(22,102)	(5,529)	(5,396)	(22,235)
Total adjustment to increase interest expense	**$ 17,438**	**$ 4,284**	**$ 4,277**	**$ 17,445**

(1) Impact to interest expense resulting from the private debt financing and changes in amounts outstanding under the Revolving Credit Facility related to the Acquisition. For purposes of the pro forma statements of operations, the increase to interest expense was calculated using a blended interest rate of 6.0% to 6.1% for each period. Specific to the private debt financing, a 0.125% change to the interest rate would result in an increase or decrease to interest expense of $0.6 million annually and $0.2 million for a three-month period.

(2) Deferred financing fees represent debt issuance costs for the private debt financing and are amortized over the contractual term of the related indebtedness.

(3) Impact to interest expense resulting from payments on the Term Loan Facility and changes in amounts outstanding under the Revolving Credit Facility resulting from the Asset Sale. Interest expense is inclusive of changes to historical amortization of deferred financing costs for the Term Loan Facility.

(d) Tax expense

Adjustment to record the income tax impacts of the pro forma adjustments using a blended statutory tax rate of 24.5%. This rate does not reflect Harsco’s effective tax rate, which will include other items and may be significantly different than the rates assumed for purposes of preparing these statements.

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Exhibit 99.4

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
CEHI Acquisition Corporation and Subsidiaries

We have audited the accompanying consolidated financial statements of CEHI Acquisition Corporation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk

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assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CEHI Acquisition Corporation and Subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Philadelphia, Pennsylvania
March 14, 2019

CEHI ACQUISITION CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(in thousands, except shares)

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 1,978	$ 2,907
Accounts receivable, net of allowances for doubtful accounts of $628 and $529	59,689	50,069
Prepaid expenses and other current assets	6,140	4,778
Total current assets	67,807	57,754
Property, plant and equipment, net (Note 4)	62,060	48,852
Other assets	3,629	2,208
Intangible assets, net (Note 5)	133,579	124,764
Goodwill (Note 5)	140,729	119,099
Total assets	$407,804	$352,677
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt (Note 7)	$ 2,672	$ 2,274
Trade accounts payable	26,135	18,480
Income taxes payable	684	1,658
Accrued expenses (Note 6)	17,230	12,106
Deferred revenue	444	372
Total current liabilities	47,165	34,890
Long-term debt, net of current portion (Note 7)	207,064	165,656
Deferred income tax liabilities (Note 9)	28,300	29,173
Other long-term liabilities	2,555	937
Total liabilities	285,084	230,656
Commitments and contingencies (Note 12)		
Stockholders' equity		
Common stock, $.001 par value, 1,500,000 shares authorized, 1,100,038 shares issued and outstanding at December 31, 2018 and 2017	1	1
Additional paid-in capital	115,919	114,366
Retained earnings	6,800	7,654
Total stockholders' equity	122,720	122,021
Total liabilities and stockholders' equity	$407,804	$352,677

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

CEHI ACQUISITION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(in thousands)

	2018	2017
Revenues, net	$266,916	$211,247
Cost of services	201,711	159,523
Gross profit	65,205	51,724
Selling, general and administrative expenses	50,262	39,187
Management fee (Note 11)	500	500
Operating income	14,443	12,037
Other (loss) income, net	(396)	80
Interest expense	(863)	(821)
Interest expense, related-party (Note 11)	(16,496)	(13,456)
Loss from operations before income tax benefit	(3,312)	(2,160)
Income tax benefit (Note 9)	2,458	15,469
Net (loss) income	$ (854)	$ 13,309

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

CEHI ACQUISITION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(in thousands, except shares)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2016	1,100,038	$ 1	$112,813	$ (5,655)	$ 107,159
Stock option expense	—	—	1,553	—	1,553
Net income	—	—	—	13,309	13,309
Balance at December 31, 2017	1,100,038	$ 1	$114,366	$ 7,654	$ 122,021
Stock option expense	—	—	1,553	—	1,553
Net loss	—	—	—	(854)	(854)
Balance at December 31, 2018	1,100,038	$ 1	$115,919	$ 6,800	$ 122,720

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

CEHI ACQUISITION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
DECEMBER 31, 2018 AND 2017
(in thousands)

	2018	2017
Cash flows from operating activities		
Net (loss) income	$ (854)	$ 13,309
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	9,832	8,840
Deferred income tax	(5,372)	(18,093)
Amortization of deferred financing costs	523	481
Recoveries of bad debts, net	(10)	(358)
Net loss (gain) on sale and exchange of property, plant and equipment	430	(40)
Amortization of intangible assets	13,850	12,807
Stock-based compensation	1,553	1,553
Changes in working capital:		
Accounts receivable	(3,386)	(2,858)
Prepaid expenses and other assets	(4,385)	(448)
Accounts payable	6,368	4,071
Accrued expenses	4,004	(4,569)
Deferred revenue	72	371
Other long-term liabilities	524	486
Net cash provided by operating activities	23,149	15,555
Cash flows from investing activities		
Acquisitions of businesses	(52,877)	(6,244)
Acquisitions of airspace	(4,050)	—
Purchases of permits	(411)	(204)
Purchases of property, plant and equipment	(8,621)	(5,514)
Proceeds from sale of property, plant and equipment	598	226
Net cash used in investing activities	(65,360)	(11,736)
Cash flows from financing activities		
Proceeds from line of credit	32,154	44,716
Repayments of line of credit	(39,250)	(43,974)
Net proceeds from the issuance of long-term debt	51,195	239
Repayments of long-term debt	(2,319)	(1,926)
Repayments of capital leases	(344)	(764)
Debt issuance costs	(154)	—
Net cash provided by (used in) financing activities	41,282	(1,709)
Net (decrease) increase in cash and cash equivalents	(929)	2,109
Cash and cash equivalents, beginning of period	2,907	798
Cash and cash equivalents, end of period	$ 1,978	$ 2,907
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	$ 16,135	$ 13,641
Cash paid during the period for income taxes	$ 4,111	$ 2,592

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

CEHI ACQUISITION CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(in thousands, except shares)

1. Business

CEHI Acquisition Corporation and Subsidiaries (the “Company”), headquartered in Hatboro, Pennsylvania, is a provider of environmental services for a variety of contaminated materials including soils, dredged material, and hazardous waste. The Company provides a one-stop shop solution that analyzes, treats, documents and recycles waste streams generated in multiple end-markets such as utilities, infrastructure, chemicals, aerospace and defense, non-public/private development, medical, industrial and dredging. Treatment includes thermal desorption, dredged material stabilization, bioremediation, physical treatment/screening and chemical fixation. Before the Company accepts contaminated materials, it identifies a third party “beneficial reuse” site such as infrastructure projects, commercial redevelopment or daily landfill cover and capping where the materials will be sent after they are treated. Clean Earth operates 29 permitted facilities in the Eastern United States. The Company’s wholly owned subsidiaries include Clean Earth Holdings, Inc., CEI Holding Corporation, Clean Earth, Inc., Clean Earth of Carteret, LLC, Clean Earth of New Castle, LLC, Clean Earth of Philadelphia, LLC, Clean Earth Dredging Technologies, LLC, Clean Earth Environmental Services, Inc., Clean Earth of North Jersey, Inc., Advanced Remediation and Disposal Technologies of Delaware, LLC, Clean Earth of Maryland, LLC, Clean Rock Properties, Ltd., Clean Earth of West Virginia, Inc., Clean Earth of Southeast Pennsylvania, LLC, Clean Earth of Southern Florida, LLC, Clean Earth of Georgia, LLC, Clean Earth of Greater Washington, LLC, AES Asset Acquisition Corporation, Real Property Acquisitions, LLC, Clean Earth of Alabama, Inc., AERC Acquisition Corporation, MKC Acquisition Corporation, Gardner Road Oil, LLC, Environmental Soil Management, Inc., Environmental Soil Management of New York, LLC and Clean Earth of Michigan, LLC.

On August 26, 2014, the Company was acquired by Compass Diversified Holdings, LLC (“Compass”), which currently owns 97.5% of the outstanding stock of the Company on a primary basis and 79.8% on a fully diluted basis.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of CEHI Acquisition Corporation and Subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All intercompany transactions and balances have been eliminated in consolidation.

Reclassifications

The accompanying consolidated financial statements include the following reclassifications from the previously issued consolidated financial statements:

A. The Company previously recorded its purchase of $4,050 of certain airspace in Maryland during the year ended December 31, 2018 within “Goodwill” on its consolidated balance sheet and in Note 5 and the related cash outflow within “Acquisitions” under investing activities on its consolidated statement of cash flows. This amount has been reclassified to “Airspace, net of accumulated amortization” within “Intangible assets, net” on its consolidated balance sheet and in Note 5 and to “Acquisitions of airspace” under investing activities on its consolidated statement of cash flows. The Company also clarified its description of the remaining amount within “Acquisitions” under investing activities on its consolidated statement of cash flows as “Acquisitions of businesses”.

B. The Company previously presented “Amortization of intangible assets” as a separate line item below “Selling, general and administrative expenses” within “Operating income” on its consolidated statements of operations for the years ended December 31, 2018 and 2017. To comply with SAB Topic 11.B, *Depreciation And Depletion Excluded From Cost Of Sales*, this line item has been eliminated from the face of its consolidated statements of operations with $10,265 and $9,495 of permit and airspace amortization allocated to “Cost of services” for the years ended December 31, 2018 and 2017, respectively, and $3,585 and $3,312 of customer relationship, non-compete agreement, and trade name amortization allocated to “Selling, general and administrative expenses” for the years ended December 31, 2018 and 2017, respectively, on its consolidated statements of operations.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The Company considers all bank accounts and investments that can be liquidated on demand or within three months or less to be cash equivalents.

Revenue Recognition

Prior to 2018, revenues from the environmental recycling facilities are generally recognized when material is received, collection of the associated receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable, with the exception of dredge contracts. The Company’s agreement with its customers is for the management of contaminated soils. The Company is considered to have managed those soils upon entry into the facility. This is generally the point the soil crosses the scale at the facility.

Dredge contracts are generally based on geological surveys. The contract states a measurable amount plus an allowable overage of material to be removed and treated. Dredge material is received via barge. It is removed from the barge and treated immediately and sent to an outbound disposal site. Revenue is recognized at time of treatment based on truck volume leaving the facility or estimated scow volume. Upon final geological survey, the parties agree upon the remaining unbilled amount and adjustments are recognized.

Effective January 1, 2018, the Company adopted the provisions of Revenue from Contracts with Customers (Topic 606) (“ASC 606”). The adoption of the new revenue guidance represents a change in accounting principle that will more closely align revenue recognition with the transfer of control of the Company’s goods and services and will provide financial statement readers with enhanced disclosures. In accordance with the new revenue guidance, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services, and excludes any sales incentives or taxes collected from customers which are subsequently remitted to government authorities. The impacts from the adoption of the new revenue guidance primarily relate to the timing of revenue recognition for variable consideration received and consideration payable to a customer. Although these differences have been identified, the total impact was not material to the consolidated financial statements. In addition, the accounting for the estimate of variable consideration in our contracts is not materially different compared to our current practice. The Company has established monitoring controls to identify new sales arrangements and changes in our business environment that could impact our current accounting assessment.

Performance Obligations—The Company's arrangements qualify for over time revenue recognition as the customer simultaneously receives and consumes the benefits provided by the Company's performance. As the Company performs the service, another party would not need to re-perform any of the work completed by the Company to date. The Company has elected to apply the as-invoiced practical expedient to record revenue as the services are provided, given the nature of the services provided and the frequency of billing under the customer contracts.

Variable Consideration—Upon adoption of the new revenue guidance, the Company's policy around estimating variable consideration related to sales incentives (early pay discounts, rights of return, rebates, chargebacks, and other discounts) included in certain customer contracts remained consistent with previous guidance. These incentives are recorded as a reduction in the transaction price. Under the new guidance, variable consideration is estimated and included in total consideration at contract inception based on either the expected value method or the most likely outcome method. The method was applied consistently among each type of variable consideration, and the Company applies the expected value method to estimate variable consideration. These estimates are based on historical experience, anticipated performance and the Company's best judgment at the time and as a result, reflect applicable constraints. The Company includes in the transaction price an amount of variable consideration estimated in accordance with the new guidance only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Sales and Other Similar Taxes—The Company notes that under its contracts with customers, the customer is responsible for all sales and other similar taxes, which the Company will invoice the customer for if they are applicable. The new revenue guidance allows entities to make an accounting policy election to exclude sales taxes and other similar taxes from the measurement of the transaction price. The scope of this accounting policy election is the same as the scope of the policy election in the previous guidance. As the Company presents taxes on a net basis under the previous guidance there will be no change to the current presentation (net) as a result.

Practical Expedients—The Company has elected to make the following accounting policy elections through the adoption of the following practical expedients:

Right to Invoice—The Company will record the consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date (for example, in a service contract where 25% of the service has been performed, the Company would recognize 25% of the revenue), the entity may recognize revenue in the amount to which the entity has a right to invoice.

Sales and Other Similar Taxes—The Company will exclude sales taxes and similar taxes from the measurement of transaction price and will ensure that it complies with the disclosure requirements of applicable accounting guidance.

Promised Goods or Services that are Immaterial in the Context of a Contract—The Company has elected to assess promised goods or services as performance obligations that are deemed to be immaterial in the context of a contract. As such, the Company will not aggregate and assess immaterial items at the entity level. That is, when determining whether a good or service is immaterial in the context of a contract, the assessment will be made based on the application of the new revenue guidance at the contract level.

Trade Accounts Receivable

Trade accounts receivable are recorded at invoiced amounts and do not bear interest. The Company reserves for uncollectible accounts receivable based on its best estimate of the amount of probable credit losses in its existing accounts receivable balance. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt including historical experience, specific customer circumstances and current economic and market conditions. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are recorded in operations as incurred. Significant renewals, improvements and betterments are capitalized.

The Company reviews its long-lived assets held and used (property, plant and equipment) for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated from the use and eventual disposition of the asset. There were no impairment losses in 2018 and 2017.

Other Assets

On February 28, 2018, the Company loaned $1,000 to Rare Earth Recovery Sciences, LLC (“RERS”). RERS will purchase from the Company retorted phosphor powder (“RPP”), which is a by-product of lamp recycling, with the intent of extracting rare earth metals from the RPP. The Company has recorded this $1,000 within other assets on its balance sheet as of December 31, 2018.

Goodwill and Other Intangible Assets

Goodwill represents the excess amount of the purchase price over the fair value of the assets acquired. The Company’s goodwill is tested for impairment on an annual basis as of March 31st, and if current events or circumstances require, on an interim basis.

In accordance with accounting guidelines, the Company is able to make a qualitative assessment of whether it is more likely than not that the Company's fair value as a reporting unit is less than its carrying amount before applying the quantitative goodwill impairment test. The qualitative factors we consider include, in part, the general macroeconomic environment, industry and market specific conditions, financial performance including actual versus planned results and results of relevant prior periods for operating income, net income, operating costs and cost impacts, as well as issues or events specific to the Company. The results of the qualitative analysis indicated that the fair value of the Company, operating as one reporting unit, exceeded its carrying value. There were no triggering events identified as of December 31, 2018 that indicated interim testing was necessary.

In January 2017, the Financial Accounting Standards Board ("FASB") issued new accounting guidance to simplify the accounting for goodwill impairment. The guidance removes step two of the goodwill impairment test, which requires a hypothetical purchase price allocation. Under the new guidance, a goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The Company adopted this guidance early, effective January 1, 2017, on a prospective basis, and will apply the guidance as necessary to annual and interim goodwill testing performed subsequent to January 1, 2017.

Long-lived intangible assets subject to amortization, including customer relationships, non-compete agreements, permits, and trade name are amortized using the straight-line method over the estimated useful lives of the intangible assets, which we determine based on the consideration of several factors including the period of time the asset is expected to remain in service. Airspace is amortized based upon usage compared to total capacity available. The Company evaluates long-lived assets for potential impairment whenever events occur or circumstances indicate that the carrying amount of the assets may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying amount of a long-lived asset is not recoverable and is greater than its fair value, the asset is impaired and an impairment loss must be recognized. No indicators of impairment were identified for the years ended December 31, 2018 and 2017.

Stock-Based Compensation

The Company records stock-based compensation expense for stock options as the awards vest, based on estimated grant date fair value using the Black-Scholes option-pricing model. The Company recognizes stock-based compensation as expense ratably on a straight-line basis over the requisite service period.

Income Taxes

Income tax expense is based on reported income before income taxes. Deferred income taxes reflect the tax effect of temporary differences between asset and liability amounts that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes. These deferred taxes are measured by applying currently enacted laws. Valuation allowances are recognized to reduce deferred tax assets to the amount that will more likely than not be realized. In assessing the need for a valuation allowance, management considers all available evidence for each jurisdiction including past operating results, estimates of future taxable income and the feasibility of ongoing tax planning strategies. When the Company changes its determination as to the amount of deferred tax assets that can be realized, the valuation allowance is adjusted with a corresponding impact to income tax expense in the period in which such determination is made.

The Company recognizes uncertain tax liabilities when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences impact income tax expense in the period in which such determination is made. Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax expense.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value determination is based on assumptions that market participants would use, including consideration of non-performance risk. A three level hierarchy draws distinctions between market participant assumptions based on (i) observable inputs such as quoted market prices in active markets (Level 1), (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require the Company to use present value and other valuation techniques in the determination of fair value (Level 3). The carrying amounts of accounts receivable, accounts payable, and accrued expenses approximate fair value because of their short-term nature.

Concentrations of Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed to perform as contracted. Concentrations of credit risk that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and accounts receivable. The Company attempts to minimize this risk by investing its cash with major financial institutions.

Accounts receivable are concentrated primarily in the northeastern United States. The Company does not generally require collateral from its customers; however, the majority of the contaminated soil projects are supported by payment bonds and/or lien rights. The Company is not dependent upon a single customer or a few customers for its business. There were no significant sales concentrations during 2018 and 2017 to one customer.

New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Revenue from Contracts with Customers

As of January 1, 2018, the Company adopted ASC 606. The new standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The underlying principle of the new standard is that a company will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects to receive in exchange for the goods or services. The standard also requires disclosure of the amount, timing and uncertainty of cash flows arising from contracts with customers. The Company adopted the standard using the modified retrospective method for all contracts not completed as of the date of adoption. The reported results for reporting periods after January 1, 2018 are presented under the new revenue recognition guidance while prior period amounts were prepared under the previous revenue guidance which is also referred to herein as the “previous guidance”. The Company determined that the impact from the new standard is immaterial to its revenue recognition model since the new standard supports revenue recognition at a point in time, which is consistent with previous guidance whereby the majority of its revenue was recognized based on the receipt of material into the facility. Accordingly, the Company has not made any adjustments to opening retained earnings. Refer to the Revenue Recognition accounting policy above for additional information regarding the Company’s adoption of ASC 606.

Changes to the Definition of a Business

In January 2017, the FASB issued new guidance that changes the definition of a business to assist entities in evaluating when a set of transferred assets and activities constitutes a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If so, the set of transferred assets and activities is not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs by more closely aligning it with how outputs are described in the new revenue recognition guidance. The new standard was effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The adoption of this guidance did not have a material impact upon our financial condition or results of operations.

Recently Issued Accounting Pronouncements

Leases

In February 2016, the FASB issued an accounting standard update related to the accounting for leases (Leases “Topic 842”) which will require an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. Presentation of leases within the consolidated statements of operations and consolidated statements of cash flows will be generally consistent with the current lease accounting guidance. For public companies, the new standard is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. In July 2018, the FASB issued two updates to Topic 842 to clarify how to apply certain aspects of the new lease standard, and to give entities another option for transition and to provide lessors with a practical expedient to reduce the cost and complexity of implementing the new standard. The transition option allows entities to not apply the new lease standard in the comparative periods presented in the financial statements in the year of adoption. The Company will adopt the new standard using the optional transition method effective January 1, 2019.

The new standard provides a number of optional practical expedients in transition. The Company expects to use the package of practical expedients that allows it to not reassess: (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. The Company additionally will elect to use the practical expedient that allows lessees to treat the lease and non-lease components of leases as a single lease component and the practical expedient pertaining to land easements. In addition, the new standard provides for an accounting election that permits a lessee to elect not to apply the recognition requirements of Topic 842 to short-term leases by class of underlying asset. The Company will adopt this accounting election for all classes of assets.

The Company has performed an assessment of the impact of the adoption of Topic 842 on the Company’s consolidated financial position and results of operations for the Company’s leases, which consist of treatment facilities, warehouses, office facilities, equipment and vehicle leases. The adoption of the new lease standard is not expected to have a material effect on our consolidated statements of operations or consolidated statements of cash flows, our liquidity or our covenant compliance.

3. Acquisitions

2018

On January 22, 2018, the Company acquired the assets of United Retek of Connecticut, LLC. The total price of the acquisition was $2,000. This amount was comprised of a cash payment of $2,000 funded through the Company’s cash on hand. Included in the assets were $377 of fixed assets and $1,623 of legacy permits.

On March 12, 2018, the Company acquired the assets of MKC Enterprises, Inc. (“MKC”). Headquartered in Doraville, Georgia, MKC utilizes advanced technologies to provide a wide range of hazardous and non-hazardous waste management services. MKC’s facility in Doraville has a Resource Conservation and Recovery Act (“RCRA”) Part B permit. The total price of the acquisition was $2,844, which primarily comprised of a cash payment of $2,550 funded through the Company’s cash on hand.

The RCRA requires anyone who owns or operates a facility where hazardous waste is treated, stored, or disposed to have a permit. The permit application is divided into two parts, Part A and Part B. The Part A application is submitted on a designated form, Environmental Protection Agency (EPA) Form 8700-23, and requires basic information about the facility, while the Part B application is submitted in narrative form and is often lengthy. The RCRA application is required for a federal permit to treat, store, or dispose of hazardous waste under RCRA.

(in thousands, except shares)

The following table summarizes the fair values of the assets acquired and the liabilities assumed:

Accounts receivable	$ 227
Legacy permits	970
Trade name	30
Customer relationships	190
Goodwill	889
Fixed assets	650
Other assets	20
Accounts payable	(34)
Other liability	(98)
Net assets acquired	$2,844

On May 23, 2018, the Company acquired all of the outstanding capital stock of Environmental Soil Management, Inc. ("ESMI"), located in Fort Edward, New York and Loudon, New Hampshire. The acquisition provided the Company the opportunity to geographically expand its soil and hazardous waste solutions in the New York and New England market. The net total consideration for the acquisition was $31,012, which primarily comprised of a cash payment of $30,746 funded through an increase in its Term A debt from Compass.

The following table summarizes the fair values of the assets acquired and the liabilities assumed:

Accounts receivable	$ 4,775
Legacy permits	4,600
Trade name	820
Customer relationships	4,910
Non-compete	90
Goodwill	12,494
Fixed assets	9,749
Other assets	363
Accounts payable	(1,364)
Deferred tax liability	(4,498)
Other liability	(927)
Net assets acquired	$31,012

On September 5, 2018, the Company acquired the assets of Disposal and Recycling Technologies, Inc. ("DART") to continue the Company's strategy of geographic expansion. DART has a hazardous waste site in Charlotte, North Carolina with a RCRA Part B permit and a waste water treatment facility in Detroit, Michigan. The acquisition of DART expands the Company's geographical reach in the Midwest and Mid-Atlantic hazardous and non-hazardous waste markets and represents the Company's first waste water treatment facility. The net total consideration for the acquisition was approximately $18,713, which primarily comprised of a cash payment of $17,600 funded through an increase in its Term A debt from Compass.

(in thousands, except shares)

The following table summarizes the fair values of the assets acquired and the liabilities assumed:

Accounts receivable	$ 1,249
Legacy permits	4,310
Trade name	250
Customer relationships	260
Non-compete	150
Goodwill	8,036
Fixed assets	4,672
Other assets	11
Accounts payable	(11)
Other liability	(214)
Net assets acquired	$18,713

2017

On March 22, 2017, the Company acquired the assets of AERC Recycling Solutions (“AERC”) to continue the Company’s strategy of geographic expansion. Headquartered in Allentown, Pennsylvania, AERC is a nationally regulated and permitted universal waste and electronic waste recycling company serving over 2,500 commercial and industrial customers across the United States. AERC processes fluorescent and mercury lamps, batteries, ballasts, retort and other forms of commonly produced hazardous wastes. In addition, AERC provides comprehensive electronic waste recycling services, specializing in asset recovery, disassembly and secure information destruction. Founded in 1990, AERC owns and operates processing facilities in Allentown, Pennsylvania, Richmond, Virginia, West Melbourne, Florida, Modesto, California and Hayward, California. AERC’s universal waste facility in Allentown has a RCRA Part B permit. The total price of the acquisition was $6,201. This amount was comprised of a cash payment of $6,201 funded through the Company’s cash on hand.

The following table summarizes the fair values of the assets acquired and the liabilities assumed:

Accounts receivable	$ 2,032
Legacy permits	1,540
Trade name	500
Customer relationships	1,090
Non-compete	20
Goodwill	1,128
Fixed assets	2,037
Other assets	133
Accounts payable	(436)
Other liability	(1,843)
Net assets acquired	$ 6,201

These transactions were accounted for using the provisions of Accounting Standards Codification (“ASC”) 805, *Business Combinations*, and the results of operations since the date of acquisition have been included in the consolidated financial statements presented.

(in thousands, except shares)

4. Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following at December 31:

Description	Useful Lives	2018	2017
Land	—	$ 10,739	$ 8,761
Buildings	20 years	19,416	15,407
Machinery and equipment	5 to 20 years	67,145	52,394
		97,300	76,562
Less: Accumulated depreciation		(35,240)	(27,710)
Property, plant and equipment, net		$ 62,060	$ 48,852

Depreciation expense of property, plant and equipment for the years ended December 31, 2018 and 2017 was $9,832 and $8,840, respectively.

The Company also had like-kind exchanges of equipment which generated a gain of $228 and a gain of $25 for the years ended December 31, 2018 and 2017, respectively.

5. Intangible Assets, Net, and Goodwill

Intangible assets, net and goodwill are comprised of the following at December 31:

Description	Weighted Average Amortization Period	2018	2017
Permits, net of accumulated amortization of $37,609 and $28,008, respectively	10-20 years	$ 85,212	$ 82,897
Customer relationships, net of accumulated amortization of $9,371 and $7,010, respectively	15 years	28,303	25,303
Non-compete agreements, net of accumulated amortization of $317 and $227, respectively	3-5 years	373	223
Trade name, net of accumulated amortization of $4,406 and $3,271, respectively	5-20 years	14,999	15,034
Airspace, net of accumulated amortization of $3,682 and $3,018, respectively	Based on usage	4,692	1,307
		$ 133,579	$ 124,764
Goodwill	N/A	$ 140,729	$ 119,099

Amortization for the years ended December 31, 2018 and 2017 was $13,850 and $12,807, respectively. Estimated future annual amortization expense related to the intangible assets for each of the years ending December 31, 2019 through 2023 is approximately $15,000.

(in thousands, except shares)

6. Accrued Expenses

Accrued expenses at December 31 consist of the following:

	2018	2017
Transportation and disposal costs	$ 6,092	$ 4,984
Salaries and wages	5,625	3,368
Interest	1,850	1,102
Other current liabilities	3,663	2,652
Total accrued expenses	$17,230	$12,106

7. Long-Term Debt

Long-term debt consists of the following at December 31:

	2018	2017
Credit agreement—Term A Payable in quarterly installments of $563 through August 31, 2020, at which time the loan requires full payment	$163,014	$125,075
Credit agreement—Term B Payable in full at the maturity date of August 31, 2021	38,000	38,000
Revolving credit facility Interest calculated at a 90-day LIBOR rate plus an applicable margin; 7.94% and 6.70% at December 31, 2018 and 2017, respectively	6,658	5,500
Other term debt Various loans, payable over 12-48 months	2,741	245
Capital lease obligations Various leases, payable over 12-48 months	302	458
Debt issuance costs	(979)	(1,348)
Total debt	209,736	167,930
Less: Current portion due within one year	(2,672)	(2,274)
Long-term portion	$207,064	$165,656

In connection with the acquisition of the Company, on August 26, 2014, the Company obtained a $35,000 revolving line of credit (“Revolving Credit Facility”) from Compass, the majority shareholder. The commitment terminates on August 31, 2020. Revolver availability was $28,342 and $29,358 at December 31, 2018 and 2017, respectively.

The Company also obtained a $92,000 Term A loan commitment (“Term A”) from Compass. The Term A loan maturity date is August 31, 2020 or such earlier date pursuant to event of default as defined. The Term A loan was amended in December 2014 to an amount of $108,900 in connection with the acquisition of AES Asset Acquisition Corporation. The Term A loan was also amended in April 2016 and June 2016 to an amount of $112,570 and $131,608, respectively, in connection with the acquisitions of Phoenix Soil, LLC and EWS Alabama, Inc. In May 2018 and September 2018, the Term A loan was further amended to an amount of $147,103 and $164,139, respectively, in connection with the acquisitions of ESMI and DART. The Term A loan requires quarterly principal payments of $563, commencing on June 30, 2018 and continuing to the maturity date, with the remaining balance due on August 31, 2020. The interest rate at December 31, 2018 and 2017 was 7.87% and 6.70%, respectively.

The Company also obtained a $38,000 Term B loan commitment (“Term B”) from Compass. The Term B loan maturity date is August 31, 2021 or such earlier date pursuant to event of default as defined. The Term B loan requires full payment on the maturity date. Term B interest is a rate per annum of 11.5%.

At the Company’s option, advances under the Revolving Credit Facility and Term A loan interest can be either base rate or LIBOR. Base rate loans bear interest at a fluctuating rate per annum equal to the greater of the prime rate of interest or the sum of the Federal Funds Rate plus 0.5% for the relevant period, plus a margin ranging from 3.5% to 4.5% based upon the Total Debt to EBITDA Ratio. LIBOR rate is the greater of 1.0% or the applicable LIBOR rate, plus a margin ranging from 4.5% to 5.5% based upon the Total Debt to EBITDA Ratio.

The Company pays an unused availability fee quarterly equal to 0.5% of the unused portion of the Revolving Credit Facility. The borrowings under the Revolving Credit Facility for the years ended December 31, 2018 and 2017 was $6,658 and $5,500, respectively.

As of December 31, 2018, the Company has no letters of credit outstanding. As of December 31, 2017, the Company had letters of credit of $142 in connection with its closure bonds. The Company is required to pay letter of credit fees equal to 2.75%.

Interest expense under the Revolving Credit Facility and Term Note Agreements was $16,496 and $13,456 for the years ended December 31, 2018 and 2017, respectively.

Under terms of the debt agreement, the Company is required to pay down Term Note A in an amount equal to the Excess Cash Flow as defined in the agreement. The payment is due within 90 days from fiscal year end.

The loans and Revolving Credit Facility with Compass are collateralized by the Company’s right, title and interest in the Company’s net assets. The loan agreements also include certain financial covenants including, but not limited to, requirements to maintain certain fixed charges and leverage ratios. The Company was not in compliance with the financial covenants under its credit agreements at December 31, 2018 as a result of financing various add-on acquisitions during the year disclosed in Note 3 to these financial statements. On January 20, 2019, Compass amended the credit agreements to grant a waiver to the Company for the quarter ended December 31, 2018 and each quarter during the year ending December 31, 2019. As of December 31, 2017, the Company was in compliance with all financial covenants under its credit agreements.

The Company capitalizes financing costs and fees incurred relating to the procurement of its revolving credit facility and long-term debt. These financing costs were paid to Compass at the time of acquisition. These costs are being amortized over the life of the related debt instrument using the effective interest method. The Company incurred additional financing costs of $154 during the year ended December 31, 2018 related to the amendments to the Term A loan in connection with the acquisitions of ESMI and DART. Amortization expense amounted to $523 and $481 for the years ended December 31, 2018 and 2017, respectively.

(in thousands, except shares)

Long-term debt maturities are as follows:

Years ending December 31:	
2019	2,672
2020	169,918
2021	38,110
2022	11
2023	3
Total	$ 210,714

8. Employee Benefit Plans

The Company has a defined contribution 401(k) plan that covers substantially all employees who have met the eligibility requirements. Employees may contribute up to the maximum allowable under current regulations to the 401(k). The Company's contribution to the plan is at the discretion of the Company. The Company contributed $816 and $547 to the plan for the years ended December 31, 2018 and 2017, respectively.

9. Income Taxes

On December 22, 2017, the legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law, which changes various corporate income tax provisions within the existing Internal Revenue Code. Substantially all the provisions of the Tax Act are effective for taxable years beginning after December 31, 2017. The most significant changes that impact the Company are the reduction in the corporate federal income tax rate from 35% to 21% and 100% bonus depreciation for qualified property acquired and placed in service after September 27, 2017 and before January 1, 2023. In a manner consistent with ASC 740-10-25-47, the effect of a change in tax law or rates shall be recognized at the date of enactment and, accordingly, the Company accounted for the corporate federal income tax rate reduction in the fourth quarter of 2017. In accordance with the Tax Act, we recorded $14.4 million as additional income tax benefit in the fourth quarter of 2017, the period in which the legislation was enacted. Additionally, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. As permitted by SAB 118, we have subsequently finalized our accounting analysis based on the guidance, interpretations and data available as of December 31, 2018 and have recorded no adjustments to our 2017 provisional amounts.

(in thousands, except shares)

Income tax benefit for the years ended December 31 consists of the following:

	2018	2017
Current		
Federal	$(1,765)	$ (1,635)
State	(1,149)	(989)
Total current	(2,914)	(2,624)
Deferred		
Federal	2,931	17,819
State	2,441	274
Total deferred	5,372	18,093
Income tax benefit	$ 2,458	$15,469

The following table reconciles the expected income tax benefit at the federal statutory rate to the effective tax rate for the years ended December 31:

	2018		2017	
	Amount	Percentage	Amount	Percentage
Tax benefit at statutory rate	$ 696	21.0%	$ 756	35.0%
State taxes, net of federal benefit	258	7.8%	109	5.1%
Research and development credit	300	9.1%	250	11.6%
Provision to return differences	279	8.4%	96	4.5%
Current year permanent differences	(233)	(7.0%)	(208)	(9.6%)
Adjustment for Tax Cuts and Jobs Act	—	0.0%	14,360	664.9%
Rate change adjustment	990	29.9%	—	0.0%
Other	168	5.1%	106	4.9%
	$2,458	74.3%	$15,469	716.4%

(in thousands, except shares)

Temporary differences between financial statement carrying amounts and tax basis of assets and (liabilities) that give rise to significant deferred tax assets and liabilities as of December 31 are as follows:

	2018	2017
Allowance for doubtful accounts	$ 172	$ 150
Accrued expenses	1,086	664
Prepaid expenses and other	(578)	(343)
Stock based compensation	1,194	897
Accrued expenses and other, long-term	141	118
Net operating losses	370	416
Property and equipment basis difference	(7,935)	(5,437)
Permit basis difference	(14,858)	(16,390)
Other intangibles	(9,260)	(9,248)
Interest expense limitation	1,368	—
Subtotal	(28,300)	(29,173)
Less: Valuation allowance and reserve	—	—
Net non-current deferred tax liabilities	$(28,300)	$(29,173)

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred income tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences. For the years ended December 31, 2018 and 2017, the Company has cumulative net operating loss carryforwards for various states of approximately $5,612 and $6,035, respectively. These net operating loss carryforwards will begin to expire in 2028.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Beginning of year	$ 100	$143
Reductions for expiration of statute of limitations	(100)	(43)
End of year	$ —	$100

At December 31, 2018 and 2017, the Company had recorded $0 and $100, respectively, of unrecognized tax benefits that if recognized would affect the annual effective tax rate.

The Company files income tax returns in the U.S. federal jurisdiction and in multiple U.S. state and local jurisdictions. The Company's tax filings for tax years 2014 to 2018 remain open for examination by taxing authorities. The Company is currently not under examination by any jurisdiction.

(in thousands, except shares)

10. Equity Incentive Plan

In order to advance the interest of the Company and its stockholders, the Company adopted the 2014 Stock Option Plan (the “Plan”), whereby employees and directors of the Company may be given the opportunity to purchase shares of Common Stock, par value $0.001 per share.

Under this Plan, the Company is authorized to issue 149,450 shares of common stock.

In 2016, the Company adopted the 2016 Non-Statutory Stock Option Plan (the “2016 Plan”), whereby employees and directors of the Company may be given the opportunity to purchase shares of Common Stock, par value $0.001 per share.

Under this 2016 Plan, the Company is authorized to issue 97,773 shares of common stock.

Expected volatility was determined using changes in historical stock prices of comparable businesses in the industry. The risk-free interest rate was determined based on the U.S. Treasury yield curve in effect at the time of grant. The expected term was based on management’s estimate of the period of time that the options or stock will remain outstanding before being exercised or forfeited. The Company does not anticipate paying dividends over the expected term and therefore used 0% dividend yield.

The fair value of the options is estimated on the date of grant based on the following assumptions:

Risk-free interest rate	1.40% - 2.22%
Expected term in years	7.5
Expected stock price volatility	30% - 35%
Expected dividend yield	0.0%

Option activity is summarized as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2016	243,264	$ 31.93	5 years
Granted	—		
Forfeited	—		
Exercised	—		
Outstanding at December 31, 2017	243,264	$ 31.93	4 years
Granted	—		
Forfeited	—		
Exercised	—		
Outstanding at December 31, 2018	243,264	$ 31.93	3 years

As of December 31, 2018 and 2017, 150,894 and 102,241 shares of common stock had vested, with a weighted average value of $33.93 and $34.84 and a total fair value of $5,119 and $3,562, respectively.

(in thousands, except shares)

The estimated fair value of the shares is being amortized as compensation expense over the vesting period of 10 years or as designated by the Board of Directors. Shares vest annually based on issue date if, as of each applicable vesting, the holder of such shares is still employed by the Company.

The Company recorded compensation expense of $1,553 and $1,553 during the years ended December 31, 2018 and 2017, respectively. These amounts are included in selling, general and administrative expenses. Total compensation expenses related to awards not yet recognized in the consolidated statement of operations as of December 31, 2018 and 2017 were $2,114 and $3,668, respectively. The weighted average period over which the total compensation cost of non-vested awards not yet recognized is expected to be recognized for the years ended December 31, 2018 and 2017 are 24 and 33 months, respectively.

11. Related Party Transactions

Significant related party transactions, not otherwise disclosed, include the payment of management fees of $500 per year to Compass Group Management, LLC. This fee is recorded separately in the consolidated statement of operations. In addition to management fees, the Company expensed $16,496 and $13,456 of interest to Compass for the years ended December 31, 2018 and 2017, respectively. See Note 7 for further disclosure regarding the long-term debt with Compass.

During 2018, the Company purchased the assets of United Retek Corporation, LLC from David Green, Chief Science Officer of the Company, for $2,000. See Note 3 for further disclosure regarding this transaction.

12. Commitments and Contingencies

Operating Leases

The Company leases office space, equipment, facilities and land under non-cancelable operating leases that expire at various dates through 2030. Rent expense incurred by the Company for the years ended December 31, 2018 and 2017 was approximately $9,951 and $9,028, respectively. The approximate future minimum payments under these leases at December 31, 2018 are as follows:

Years ending December 31:	
2019	$ 4,185
2020	3,715
2021	3,362
2022	2,182
2023	1,986
Thereafter	7,886
	$23,316

The Company leases approximately 7.5 acres of land at its Delaware soil recycling facility at a rental of $1.00 per ton of soil received with a minimum rental of $50 per year. The total rent expense for the years ended December 31, 2018 and 2017 was $245 and $310, respectively. The lease was renewed for five years in 2008 and contains two additional five-year renewal options. The Company exercised the renewal options in 2013 and 2018.

The Company currently leases approximately 8 acres of land for the North Jersey soil recycling facility in Kearny, New Jersey. The lease term is 20 years and the lease rate is approximately $443 per year with annual increases allowed. In addition, the Company subleases approximately 3 acres of land at a lease rate of $286 per year with annual increases allowed.

The Company currently leases approximately 12 acres of land under the Carteret, New Jersey soil recycling facility. The lease term is for 20 years with four renewal options of five years each, expiring in 2030. The lease rate is approximately $726 per year with annual increases allowed. In addition, the Company pays a royalty on treatment sales of 0.66%. The royalty expense was $243 and $246 for the years ended December 31, 2018 and 2017, respectively.

The Company leases premises in Jersey City, New Jersey as an off-loading, processing and transfer facility for dredged materials. The lease was renewed in 2009 for three years and contains three additional two-year renewal options. The Company exercised the first two-year renewal in 2012. This lease was again renewed on October 1, 2015 extending the term through September 30, 2018. The lease was subsequently amended for an additional term from October 1, 2018 through December 31, 2019 and contains two additional one-year renewal options. Prior to October 1, 2018, the terms of the lease included a component for minimum basic rent of $690 per year and a component based on volume. The volume component is scaled with the fee for the first 300 cubic yards at $1.50 per cubic yard and additional cubic yards at $1.25 per cubic yard. The volume component rent expense was $101 and $96 for the years ended December 31, 2018 and 2017, respectively. Beginning October 1, 2018, the terms of the lease include a component for minimum basic rent of $1,080 per year and no longer include a component based on volume.

The Company leases approximately 15 to 20 acres in Kearny, New Jersey as an off-loading, processing and transfer facility for dredged materials. The initial term was for a five-year lease with renewal options. The current lease was extended in 2016 and expired on August 31, 2017. The Company is currently renting the property on a month to month basis. The terms of the lease include a component for minimum basic rent of $360 per year and additional volume-based components. The royalty component is scaled with the fee for the first 500 cubic yards at $3.50 per cubic yard and additional cubic yards at $2.00 per cubic yard. The royalty component rent expense was $410 and $86 for the years ended December 31, 2018 and 2017, respectively. In addition, there is a placement fee that begins at $7.75 per cubic yard and escalates to $9.50 per cubic yard dependent on volumes.

The Company leases office space in Hatboro, Pennsylvania. The lease began in 2013 and continues until May 31, 2020. The rental payments on this lease are approximately $312 per year.

The Company leases office space in Seven Fields, Pennsylvania. The lease began in 2015 and continues until March 31, 2020. The rental payments on this lease are approximately $155 per year.

The Company leases premises in Seven Fields, Pennsylvania as an office and maintenance center for its fleet of waste transportation vehicles. The rental payments on this lease are $26 per year.

The Company leases premises in Newport News, Virginia as an office and warehouse for supplies and equipment on site for some customers. The rental payments on this lease are $34 per year.

The Company leases two premises in Allentown, Pennsylvania. One of the leased premises is used to process universal waste. The lease began in 2015 and will expire on March 31, 2023. The rental payments on this property are approximately $150 per year. The second leased premise is primarily used to process electronic waste. The lease began in 2010 and will expire on July 14, 2023. The rental payments on this property are approximately $150 per year.

The Company leases two premises in West Melbourne, Florida. One of the leased premises is 15,000 square feet and is used to process universal waste. The lease began in 2000. It was extended in 2011 and will expire on September 30, 2021. The rental payments on this property are approximately $100 per year. The second leased premise is 13,000 square feet and is primarily used to process electronic waste. The lease began in 2005. It was extended in 2014 and will expire on September 30, 2021. The rental payments on this property are approximately $60 per year. The Company began subleasing this property at a lease rate of $75 per year effective December 1, 2018 through the aforementioned expiration of the lease in September 2021.

The Company leases 6,892 square feet in Haywood, California. The premise is primarily used to process universal waste. The lease began in 2000. It was extended in 2017 and will expire on January 31, 2024. The rental payments on this property are approximately $100 per year.

The Company leases 25,992 square feet in Modesto, California. The premise is primarily used to process electronic waste. The lease began in 2017 and will expire on December 31, 2027. The rental payments on this property are approximately $143 per year.

The Company leases 10,625 square feet in Richmond, Virginia. The premise is primarily used to process universal waste and electronic waste. The lease began in 2010. It was extended in 2016 and again in 2019 and will expire on February 28, 2022. The rental payments on this property are approximately $204 per year.

The Company leases a warehouse and underlying land in Doraville, Georgia as a processing facility. The leases for the warehouse and the land were both renewed in 2018 for ten years and contain two renewal options of five years each. The rental payments on the warehouse and land are $30 and $24, respectively, per year.

Captive Insurance Program

The Company is partially self-insured for automobile and workers' compensation insurance coverage through a group captive insurance company in which the Company has less than a 10% ownership interest. While the Company maintains risk associated with the possible insurance claims of other members in the captive, management believes that this risk is mitigated through loss limits for each member, as well as adequate reinsurance coverage obtained by the captive.

While the insurance carried by the Company, including the insurance obtained through the captive insurance company, may not be sufficient to cover all claims that may arise, and while insurance carriers may not continue to make coverage available to the Company, management believes that it has provided an adequate level of insurance coverage.

Legal Proceedings

Potentially Responsible Parties

The Company participates in two Potentially Responsible Party committees in connection with environmental consent orders related to certain hazardous waste cleanup sites under the federal Superfund statute and/or state cleanup programs. As of December 31, 2018 and 2017, the Company accrued $321 and $419, respectively, for these potential costs.

Licensing Agreements

The Company has agreements with various parties, principally lessors of its dredge facilities which require royalty fees to be paid. These royalty fees are paid based upon various measurements including percentage of specific sales or on a per ton of material processed basis. Certain of these agreements provide for minimum annual royalty fees to be paid. Royalty expenses for the years ended December 31, 2018 and 2017 were $1,001 and $738, respectively.

13. Subsequent Events

As disclosed in Note 7 to these financial statements, the Company was not in compliance with the financial covenants under its credit agreements at December 31, 2018 as a result of financing various add-on acquisitions during the year disclosed in Note 3 to these financial statements. On January 20, 2019, Compass amended the credit agreements to grant a waiver to the Company for the quarter ended December 31, 2018 and each quarter during the year ending December 31, 2019.

The Company’s management has evaluated all activity of the Company through March 14, 2019 and concluded that subsequent events are properly reflected in the Company’s consolidated financial statements and notes as required by standards for accounting disclosure of subsequent events.

Exhibit 99.5

CEHI ACQUISITION CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
MARCH 31, 2019 AND DECEMBER 31, 2018
(in thousands, except shares)

	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 462	$ 1,978
Accounts receivable, net of allowances for doubtful accounts of $533 and $628	58,025	59,689
Prepaid income taxes	1,848	—
Prepaid expenses and other current assets	7,764	6,140
Total current assets	68,099	67,807
Property, plant and equipment, net (Note 4)	61,420	62,060
Right-of-use assets, net (Note 9)	17,037	—
Other assets	3,902	3,629
Intangible assets, net (Note 5)	131,342	133,579
Goodwill (Note 5)	140,483	140,729
Total assets	$422,283	$ 407,804
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt (Note 10)	$ 2,634	$ 2,672
Trade accounts payable	20,846	26,135
Income taxes payable	—	684
Accrued expenses (Note 6)	15,849	17,230
Current portion of operating lease liabilities (Note 9)	3,165	—
Deferred revenue	—	444
Total current liabilities	42,494	47,165
Long-term debt, net of current portion (Note 10)	214,564	207,064
Deferred income tax liabilities (Note 8)	28,704	28,300
Operating lease liabilities (Note 9)	14,065	—
Other long-term liabilities	2,058	2,555
Total liabilities	301,885	285,084
Commitments and contingencies (Note 12)		
Stockholders' equity		
Common stock, $.001 par value, 1,500,000 shares authorized, 1,100,038 shares issued and outstanding at March 31, 2019 and 2018	1	1
Additional paid-in capital	116,307	115,919
Retained earnings	4,090	6,800
Total stockholders' equity	120,398	122,720
Total liabilities and stockholders' equity	$422,283	$ 407,804

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

CEHI ACQUISITION CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
QUARTERS ENDED MARCH 31, 2019 AND 2018
(in thousands)

	2019	2018
Revenues, net	$63,632	$58,221
Cost of services	49,476	45,399
Gross profit	14,156	12,822
Selling, general and administrative expenses	12,774	11,938
Management fee (Note 11)	125	125
Operating income	1,257	759
Other (loss) income, net	(124)	(39)
Interest expense	(289)	(188)
Interest expense, related-party (Note 11)	(4,575)	(3,465)
Loss from operations before income tax benefit	(3,731)	(2,933)
Income tax benefit (Note 8)	1,021	617
Net loss	$ (2,710)	$ (2,316)

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

CEHI ACQUISITION CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
QUARTERS ENDED MARCH 31, 2019 AND 2018
(in thousands, except shares)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2017	1,100,038	$ 1	$114,366	$ 7,654	$ 122,021
Stock option expense	—	—	388	—	388
Net loss	—	—	—	(2,316)	(2,316)
Balance at March 31, 2018	1,100,038	$ 1	$114,754	$ 5,338	$ 120,093

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2018	1,100,038	$ 1	$115,919	$ 6,800	$ 122,720
Stock option expense	—	—	388	—	388
Net loss	—	—	—	(2,710)	(2,710)
Balance at March 31, 2019	1,100,038	$ 1	$116,307	$ 4,090	$ 120,398

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

CEHI ACQUISITION CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
MARCH 31, 2019 AND 2018
(in thousands)

	2019	2018
Cash flows from operating activities		
Net loss	$ (2,710)	$ (2,316)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation of property, plant and equipment	2,585	2,203
Deferred income tax	404	(633)
Amortization of deferred financing costs	134	119
(Recoveries) write-offs of bad debts, net	(95)	86
Net loss on sale and exchange of property, plant and equipment	136	40
Amortization of intangible assets	3,450	3,257
Stock-based compensation	388	388
Changes in working capital:		
Accounts receivable	1,759	(311)
Prepaid expenses and other assets	(3,194)	(1,413)
Accounts payable	(5,289)	(1,352)
Accrued expenses	(1,381)	1,013
Deferred revenue	(444)	(372)
Other long-term liabilities	(1,538)	(56)
Net cash (used in) provided by operating activities	(5,795)	653
Cash flows from investing activities		
Acquisitions of businesses	(246)	(4,550)
Acquisitions of airspace	(632)	(2,000)
Purchases of permits	(90)	—
Purchases of property, plant and equipment	(2,103)	(1,287)
Proceeds from sale of property, plant and equipment	21	31
Net cash used in investing activities	(3,050)	(7,806)
Cash flows from financing activities		
Proceeds from line of credit	12,500	13,000
Repayments of line of credit	(4,500)	(6,500)
Repayments of long-term debt	(627)	(497)
Repayments of capital leases	(44)	(159)
Net cash provided by financing activities	7,329	5,844
Net decrease in cash and cash equivalents	(1,516)	(1,309)
Cash and cash equivalents, beginning of period	1,978	2,907
Cash and cash equivalents, end of period	$ 462	$ 1,598

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

1. Business

CEHI Acquisition Corporation and Subsidiaries (the “Company”), headquartered in Hatboro, Pennsylvania, is a provider of environmental services for a variety of contaminated materials including soils, dredged material, and hazardous waste. The Company provides a one-stop shop solution that analyzes, treats, documents and recycles waste streams generated in multiple end-markets such as utilities, infrastructure, chemicals, aerospace and defense, non-public/private development, medical, industrial and dredging. Treatment includes thermal desorption, dredged material stabilization, bioremediation, physical treatment/screening and chemical fixation. Before the Company accepts contaminated materials, it identifies a third party “beneficial reuse” site such as infrastructure projects, commercial redevelopment or daily landfill cover and capping where the materials will be sent after they are treated. Clean Earth operates 29 permitted facilities in the Eastern United States. The Company’s wholly owned subsidiaries include Clean Earth Holdings, Inc., CEI Holding Corporation, Clean Earth, Inc., Clean Earth of Carteret, LLC, Clean Earth of New Castle, LLC, Clean Earth of Philadelphia, LLC, Clean Earth Dredging Technologies, LLC, Clean Earth Environmental Services, Inc., Clean Earth of North Jersey, Inc., Advanced Remediation and Disposal Technologies of Delaware, LLC, Clean Earth of Maryland, LLC, Clean Rock Properties, Ltd., Clean Earth of West Virginia, Inc., Clean Earth of Southeast Pennsylvania, LLC, Clean Earth of Southern Florida, LLC, Clean Earth of Georgia, LLC, Clean Earth of Greater Washington, LLC, AES Asset Acquisition Corporation, Real Property Acquisitions, LLC, Clean Earth of Alabama, Inc., AERC Acquisition Corporation, MKC Acquisition Corporation, Gardner Road Oil, LLC, Environmental Soil Management, Inc., Environmental Soil Management of New York, LLC, Clean Earth Mobile Services, LLC and Clean Earth of Michigan, LLC.

On August 26, 2014, the Company was acquired by Compass Diversified Holdings, LLC (“Compass”), which currently owns 97.5% of the outstanding stock of the Company on a primary basis and 79.8% on a fully diluted basis.

Principles of Consolidation and Basis of Presentation

The accompanying condensed consolidated financial statements, which are unaudited except for the balance sheet at December 31, 2018, which has been derived from audited financial statements, include the accounts of CEHI Acquisition Corporation and Subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, the unaudited condensed consolidated financial statements do not include all information and disclosure required by GAAP for annual financial statements. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2018. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value determination is based on assumptions that market participants would use, including consideration of non-performance risk. A three level hierarchy draws distinctions between market participant assumptions based on (i) observable inputs such as quoted market prices in active markets (Level 1), (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require the Company to use present value and other valuation techniques in the determination of fair value (Level 3). The carrying amounts of accounts receivable, accounts payable, and accrued expenses approximate fair value because of their short-term nature.

2. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Leases

As of January 1, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, Leases ("Topic 842"). The new standard requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. The standard update offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the Financial Accounting Standards Board ("FASB") issued two updates to Topic 842 to clarify how to apply certain aspects of the new lease standard, and to give entities another option for transition and to provide lessors with a practical expedient to reduce the cost and complexity of implementing the new standard. The transition option allows entities to not apply the new lease standard in the comparative periods presented in the financial statements in the year of adoption. The Company adopted the new standard using the optional transition method. The reported results for reporting periods after January 1, 2019 are presented under the new lease guidance while prior period amounts were prepared under the previous lease guidance.

The new standard provides a number of optional practical expedients in transition. The Company elected to use the package of practical expedients that allows us to not reassess: (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. We additionally elected to use the practical expedient that allows lessees to treat the lease and non-lease components of leases as a single lease component and the practical expedient pertaining to land easements. In addition, the new standard provides for an accounting election that permits a lessee to elect not to apply the recognition requirements of Topic 842 to short-term leases by class of underlying asset. The Company adopted this accounting election for all classes of assets.

The Company has performed an assessment of the impact of the adoption of Topic 842 on the Company's consolidated financial position and results of operations for the Company's leases, which consist of treatment facilities, warehouses, office facilities, equipment and vehicle leases. The adoption of the new lease standard on January 1, 2019 resulted in the recognition of right-of-use assets of approximately $17.8 million and lease liabilities for operating leases of approximately $18.0 million on its condensed consolidated balance sheets, with no material impact to its condensed consolidated statements of operations or condensed consolidated statements of cash flows. We implemented processes and a lease accounting system to ensure adequate internal controls were in place to assess our leasing arrangements and enable proper accounting and reporting of financial information upon adoption. No cumulative effect adjustment was recognized as the amount was not material. Refer to Note 9 for additional information regarding the Company's adoption of Topic 842.

(in thousands, except shares)

3. Acquisitions

2018

On January 22, 2018, the Company acquired the assets of United Retek of Connecticut, LLC. The total price of the acquisition was $2,000. This amount was comprised of a cash payment of $2,000 funded through the Company's cash on hand. Included in the assets were $377 of fixed assets and $1,623 of legacy permits.

On March 12, 2018, the Company acquired the assets of MKC Enterprises, Inc. ("MKC"). Headquartered in Doraville, Georgia, MKC utilizes advanced technologies to provide a wide range of hazardous and non-hazardous waste management services. MKC's facility in Doraville has a Resource Conservation and Recovery Act ("RCRA") Part B permit. The total price of the acquisition was $2,844, which primarily comprised of a cash payment of $2,550 funded through the Company's cash on hand.

The RCRA requires anyone who owns or operates a facility where hazardous waste is treated, stored, or disposed to have a permit. The permit application is divided into two parts, Part A and Part B. The Part A application is submitted on a designated form, Environmental Protection Agency (EPA) Form 8700-23, and requires basic information about the facility, while the Part B application is submitted in narrative form and is often lengthy. The RCRA application is required for a federal permit to treat, store, or dispose of hazardous waste under RCRA.

The following table summarizes the fair values of the assets acquired and the liabilities assumed:

Accounts receivable	$ 227
Legacy permits	970
Trade name	30
Customer relationships	190
Goodwill	889
Fixed assets	650
Other assets	20
Accounts payable	(34)
Other liability	(98)
Net assets acquired	$2,844

On September 5, 2018, the Company acquired the assets of Disposal and Recycling Technologies, Inc. ("DART") to continue the Company's strategy of geographic expansion. DART has a hazardous waste site in Charlotte, North Carolina with a RCRA Part B permit and a waste water treatment facility in Detroit, Michigan. The acquisition of DART expands the Company's geographical reach in the Midwest and Mid-Atlantic hazardous and non-hazardous waste markets and represents the Company's first waste water treatment facility. The net total consideration for the acquisition was approximately $18,713, which primarily comprised of a cash payment of $17,600 funded through an increase in its Term A debt from Compass.

(in thousands, except shares)

The following table summarizes the fair values of the assets acquired and the liabilities assumed:

Accounts receivable	$ 1,249
Legacy permits	4,310
Trade name	250
Customer relationships	260
Non-compete	150
Goodwill	8,036
Fixed assets	4,672
Other assets	11
Accounts payable	(11)
Other liability	(214)
Net assets acquired	$18,713

Certain provisional amounts pertaining to the DART acquisition were adjusted in the first quarter of 2019 as the Company obtained additional information related to the acquisition. The changes resulted in an adjustment to goodwill originally recorded during the year ended December 31, 2018, reducing goodwill by $246 with a corresponding increase to cash in the current period within the condensed consolidated balance sheet at March 31, 2019 in accordance with GAAP.

These transactions were accounted for using the provisions of Accounting Standards Codification ("ASC") 805, *Business Combinations*, and the results of operations since the date of acquisition have been included in the condensed consolidated financial statements presented.

4. Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following at March 31, 2019 and December 31, 2018:

Description	Useful Lives	3/31/2019	12/31/2018
Land	—	$ 10,739	$ 10,739
Buildings	20 years	19,416	19,416
Machinery and equipment	5 to 20 years	69,048	67,145
		99,203	97,300
Less: Accumulated depreciation		(37,783)	(35,240)
Property, plant and equipment, net		$ 61,420	$ 62,060

Depreciation expense of property, plant and equipment for the quarters ended March 31, 2019 and 2018 was $2,585 and $2,203, respectively.

(in thousands, except shares)

The Company also had like-kind exchanges of equipment which generated a loss of ($136) and a loss of ($39) for the quarters ended March 31, 2019 and 2018, respectively.

5. Intangible Assets, Net, and Goodwill

Intangible assets, net and goodwill are comprised of the following at March 31, 2019 and December 31, 2018:

Description	Weighted Average Amortization Period	3/31/2019	12/31/2018
Permits, net of accumulated amortization of $40,087 and $37,609, respectively	10-20 years	$ 82,860	$ 85,212
Customer relationships, net of accumulated amortization of $9,999 and $9,371, respectively	15 years	27,675	28,303
Non-compete agreements, net of accumulated amortization of $350 and $317, respectively	3-5 years	340	373
Trade name, net of accumulated amortization of $4,717 and $4,406, respectively	5-20 years	14,688	14,999
Airspace, net of accumulated amortization of $3,682 and $3,682, respectively	Based on usage	5,779	4,692
		$ 131,342	$ 133,579
Goodwill	N/A	$ 140,483	$ 140,729

Amortization expense for the quarters ended March 31, 2019 and 2018 was $3,450 and $3,257, respectively.

6. Accrued Expenses

Accrued expenses at March 31, 2019 and December 31, 2018 consist of the following:

	3/31/2019	12/31/2018
Transportation and disposal costs	$ 6,788	$ 6,092
Salaries and wages	2,597	5,625
Interest	2,192	1,850
Other current liabilities	4,272	3,663
Total accrued expenses	$15,849	$ 17,230

7. Revenue Recognition

Effective January 1, 2018, the Company adopted the provisions of Revenue from Contracts with Customers (Topic 606) (“ASC 606”). The adoption of the new revenue guidance represents a change in accounting principle that will more closely align revenue recognition with the transfer of control of the Company’s goods and services and will provide financial statement readers with enhanced disclosures. In accordance with the new revenue guidance, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services, and excludes any sales incentives or taxes collected from customers which are subsequently remitted to government authorities. The impacts from the adoption of the new revenue guidance primarily relate to the timing of revenue recognition for variable consideration received and consideration payable to a customer. Although these differences have been identified, the total impact was not material to the condensed consolidated financial statements. In addition, the accounting for the estimate of variable consideration in our contracts is not materially different compared to our current practice. The Company has established monitoring controls to identify new sales arrangements and changes in our business environment that could impact our current accounting assessment.

Performance Obligations—The Company's arrangements qualify for over time revenue recognition as the customer simultaneously receives and consumes the benefits provided by the Company's performance. As the Company performs the service, another party would not need to re-perform any of the work completed by the Company to date. The Company has elected to apply the as-invoiced practical expedient to record revenue as the services are provided, given the nature of the services provided and the frequency of billing under the customer contracts.

Variable Consideration—Upon adoption of the new revenue guidance, the Company's policy around estimating variable consideration related to sales incentives (early pay discounts, rights of return, rebates, chargebacks, and other discounts) included in certain customer contracts remained consistent with previous guidance. These incentives are recorded as a reduction in the transaction price. Under the new guidance, variable consideration is estimated and included in total consideration at contract inception based on either the expected value method or the most likely outcome method. The method was applied consistently among each type of variable consideration, and the Company applies the expected value method to estimate variable consideration. These estimates are based on historical experience, anticipated performance and the Company's best judgment at the time and as a result, reflect applicable constraints. The Company includes in the transaction price an amount of variable consideration estimated in accordance with the new guidance only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Sales and Other Similar Taxes—The Company notes that under its contracts with customers, the customer is responsible for all sales and other similar taxes, which the Company will invoice the customer for if they are applicable. The new revenue guidance allows entities to make an accounting policy election to exclude sales taxes and other similar taxes from the measurement of the transaction price. The scope of this accounting policy election is the same as the scope of the policy election in the previous guidance. As the Company presents taxes on a net basis under the previous guidance there will be no change to the current presentation (net) as a result.

Practical Expedients—The Company has elected to make the following accounting policy elections through the adoption of the following practical expedients:

Right to Invoice—The Company will record the consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date (for example, in a service contract where 25% of the service has been performed, the Company would recognize 25% of the revenue), the entity may recognize revenue in the amount to which the entity has a right to invoice.

(in thousands, except shares)

Sales and Other Similar Taxes—The Company will exclude sales taxes and similar taxes from the measurement of transaction price and will ensure that it complies with the disclosure requirements of applicable accounting guidance.

Promised Goods or Services that are Immaterial in the Context of a Contract—The Company has elected to assess promised goods or services as performance obligations that are deemed to be immaterial in the context of a contract. As such, the Company will not aggregate and assess immaterial items at the entity level. That is, when determining whether a good or service is immaterial in the context of a contract, the assessment will be made based on the application of the new revenue guidance at the contract level.

8. Income Taxes

Income tax benefit for the quarters ended March 31, 2019 and 2018 was $1.0 million and $0.6 million, respectively.

An income tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, based on technical merits, including resolutions of any related appeals or litigation processes. The Company had no reserve for uncertain tax positions at March 31, 2019 and December 31, 2018.

9. Leasing

The Company and its subsidiaries lease treatment facilities, warehouses, office facilities, equipment and vehicles under various operating arrangements. Certain of the leases are subject to escalation clauses and renewal periods. The Company recognizes lease expense, including predetermined fixed escalations, on a straight-line basis over the initial term of the lease including reasonably assured renewal periods from the time that the Company controls the leased property. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

The cost components of our operating leases during the quarter ended March 31, 2019 were as follows:

	2019
Operating lease cost (1)	$1,134
Total	$1,134

(1) Includes short-term leases, which are immaterial

(in thousands, except shares)

The maturities of lease liabilities at March 31, 2019 were as follows:

2019 (excluding three months ended March 31, 2019)	$ 3,325
2020	4,023
2021	3,674
2022	2,265
2023	1,944
Thereafter	7,806
Total undiscounted lease payments	$23,037
Less: Interest	5,807
Present value of lease liabilities	$17,230

The calculated amount of the ROU assets and lease liabilities in the table above are impacted by the length of the lease term and discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the company's discretion. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain. Regarding the discount rate, Topic 842 requires the use of a rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes the incremental borrowing rate of the subsidiary entering into the lease arrangement, on a collateralized basis, over a similar term as adjusted for any country specific risk. For operating leases existing prior to January 1, 2019, the rate for the remaining lease term as of January 1, 2019 was used.

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows as of March 31, 2019:

Lease Term and Discount Rate	
Weighted-average remaining lease term (years) Operating leases	7.01
Weighted-average discount rate Operating leases	8.03%

Supplemental cash flow information related to leases during the quarter ended March 31, 2019 was as follows:

	2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$1,119
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ —

(in thousands, except shares)

As previously disclosed, under then in effect lease accounting in accordance with GAAP, future minimum payments under operating leases with noncancelable terms at December 31, 2018 were as follows:

2019	$ 4,185
2020	3,715
2021	3,362
2022	2,182
2023	1,986
Thereafter	7,886
	$23,316

10. Long-Term Debt

In connection with the acquisition of the Company by Compass in August 2014, the Company obtained certain financial commitments from Compass in the form of Term A and Term B loans and a revolving line of credit. The loans and revolving line of credit with Compass are collateralized by the Company's right, title and interest in the Company's net assets. The loan agreements also include certain financial covenants including, but not limited to, requirements to maintain certain fixed charges and leverage ratios. The Company was not in compliance with the financial covenants under its credit agreements at December 31, 2018 as a result of financing various add-on acquisitions during the year disclosed in Note 3 to these financial statements. On January 20, 2019, Compass amended the credit agreements to grant a waiver to the Company for the quarter ended December 31, 2018 and each quarter during the year ending December 31, 2019.

11. Related Party Transactions

Significant related party transactions, not otherwise disclosed, include the payment of management fees of $500 per year to Compass Group Management, LLC. This fee is recorded separately in the condensed consolidated statements of operations. In addition to management fees, the Company expensed $4,575 and $3,465 of interest to Compass for the quarters ended March 31, 2019 and 2018, respectively, related to the long-term debt disclosed in Note 10.

During the quarter ended March 31, 2018, the Company purchased the assets of United Retek Corporation, LLC from David Green, Chief Science Officer of the Company, for $2,000. See Note 3 for further disclosure regarding this transaction.

12. Commitments and Contingencies

Captive Insurance Program

The Company is partially self-insured for automobile and workers' compensation insurance coverage through a group captive insurance company in which the Company has less than a 10% ownership interest. While the Company maintains risk associated with the possible insurance claims of other members in the captive, management believes that this risk is mitigated through loss limits for each member, as well as adequate reinsurance coverage obtained by the captive.

While the insurance carried by the Company, including the insurance obtained through the captive insurance company, may not be sufficient to cover all claims that may arise, and while insurance carriers may not continue to make coverage available to the Company, management believes that it has provided an adequate level of insurance coverage.

Legal Proceedings

Potentially Responsible Parties

The Company participates in two Potentially Responsible Party committees in connection with environmental consent orders related to certain hazardous waste cleanup sites under the federal Superfund statute and/or state cleanup programs. As of March 31, 2019 and 2018, the Company accrued $308 and $419, respectively, for these potential costs.

Licensing Agreements

The Company has agreements with various parties, principally lessors of its dredge facilities which require royalty fees to be paid. These royalty fees are paid based upon various measurements including percentage of specific sales or on a per ton of material processed basis. Certain of these agreements provide for minimum annual royalty fees to be paid. Royalty expenses for the quarters ended March 31, 2019 and 2018 were $136 and $381, respectively.

13. Subsequent Events

On April 15, 2019, the Company finalized its purchase of airspace at the Gardner Road location in Maryland for consideration of $24,911, of which $3,411 was paid in 2018, $3,624 was paid at closing, and the remaining purchase of incremental airspace is due in six annual installments beginning January 31, 2020 through January 31, 2025.

On May 8, 2019, Compass, as majority stockholder of the Company and as Sellers' Representative, entered into a definitive Stock Purchase Agreement (the "Purchase Agreement") with Calrissian Holdings, LLC ("Buyer"), the Company, the other holders of stock and options of the Company and, as Buyer's guarantor, Harsco Corporation, pursuant to which Buyer will acquire all of the issued and outstanding securities of the Company. The sale is expected to close in the next few months.

The Company's management has evaluated all activity of the Company through May 23, 2019 and concluded that subsequent events are properly reflected in the Company's condensed consolidated financial statements and notes as required by standards for accounting disclosure of subsequent events.