AMERICAN SAFETY INSURANCE HOLDINGS LTD
Form 10-K
March 15, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 1-14795

AMERICAN SAFETY INSURANCE HOLDINGS, LTD.

(Exact name of registrant as specified in its charter)

Bermuda	**30-0666089**
(State of incorporation	**(I.R.S. Employer**
or organization)	**Identification No.)**

31 Queen Street

2nd Floor

Hamilton, Bermuda	**HM 11**
(Address of principal executive offices)	**(Zip Code)**

(441) 296-8560

Registrant s telephone number:

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.01 par value	**New York Stock Exchange, Inc.**

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

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer.

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨	Smaller reporting company ¨

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

The aggregate market value of registrant s voting common stock held by non-affiliates based upon the closing sales price as reported by the New York Stock Exchange as of June 30, 2011, was $179,737,691.

The number of shares of registrant s common stock outstanding on March 1, 2012, was 10,207,904.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain information from Registrant s Proxy Statement for the 2012 Annual General Meeting of the Shareholders (the 2012 Proxy Statement).

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PART I

Item 1. Business

In this Report, the terms we, our, us, Company and American Safety Insurance refer to American Safety Insurance Holdings, Ltd. and, unles context requires otherwise, includes our subsidiaries and non-subsidiary affiliates.

We maintain a web site at *www.amsafety.bm* that contains additional information regarding the Company. Under the caption Investor Relations SEC Filings on our website, we provide access, free of charge, to our filings with the Securities and Exchange Commission (SEC), including Forms 3, 4 and 5 filed by our officers and directors, as soon as reasonably practical after electronically filing such material with the SEC.

Cautionary Statement Regarding Forward-looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the U.S. federal securities laws. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the United States securities laws. In some cases, these statements can be identified by the use of forward-looking words such as may, should, could, anticipate, estimate, e plan, believe, predict, potential and intend. Forward-looking statements contained in this report include information regarding our expecta with respect to pricing and other market conditions, our growth prospects, the amount of our acquisition costs, the amount of our net losses and loss reserves, the projected amount of our capital expenditures, managing interest rate risks, valuations of potential interest rate shifts and measurements of potential losses in fair market values of our investment portfolio. Forward-looking statements only reflect our expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from our expectations. Important factors that could cause actual events or results to be materially different from our expectations include:

- actual claims exceeding our loss reserves;
- the failure of any of the loss limitation methods we employ;
- the effects of emerging claims and coverage issues;
- inability to collect reinsurance recoverables;
- the loss of one or more key executives;
- downgrade in our financial strength rating;
- loss of business provided to us by our major brokers;
- changes in governmental regulations or tax laws;
- increased competition;

general economic conditions;

changes in the political environment of certain countries in which we operate or underwrite business; and

the other matters set forth under Item 1A, Risk Factors included in this report. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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Business Overview

We are a Bermuda-based specialty insurance and reinsurance underwriter with U.S. insurance and international reinsurance operations offering solutions for specialty risks. Through our domestic operating subsidiaries and affiliates, we market and underwrite a variety of specialty insurance products to small and medium-sized businesses in the United States. Through our Bermuda operating subsidiaries, we offer reinsurance products primarily to U.S. and international insurance companies. We compete in three specialty divisions: excess and surplus lines (E&S) and alternative risk transfer (ART) in the U.S. and assumed reinsurance in Bermuda. We believe that our market and specialty product focus has allowed us to develop underwriting expertise in the markets that we serve. We utilize a solution oriented approach to underwriting while focusing on underwriting profitability. We believe that our underwriting expertise, flexible platform and customer orientation set us apart from our competitors. Our goal is to offer a broad base of specialty insurance and reinsurance products for which we can build scale and consistently produce underwriting profits.

Specialty Insurance

In the standard insurance markets, rates and policy forms are regulated and products and coverages are for the most part uniform. Exposures tend to be more predictable than in the specialty markets and, due to the consistency of products offered in the market, insurers largely compete on the basis of price. In contrast, the specialty insurance markets generally deal with harder to place risks. These specialty risks, due to the nature of the particular risk or activities of the insured, often do not lend themselves to the strict, uniform underwriting criteria of standard insurers and require unique underwriting solutions.

Compared to the standard markets, competition in the specialty markets focuses more on expertise, flexibility and customer service, although standard markets expand or contract into and out of this business depending on market conditions. Because the specialty markets generally involve higher perceived insurance risks than those characteristic in the standard markets, we utilize our underwriting expertise in an attempt to manage these risks appropriately. The Company considers underwriting profitability to be more important than market share. Our customers insurance needs are often highly specialized and our underwriting expertise and flexibility allow for custom tailored terms and product solutions to meet their unique needs.

Markets

Excess and Surplus Lines

The E&S markets focus on hard to place risks and exposures that are not typically underwritten by the standard admitted markets. For our E&S lines of business, we are able to offer more flexible policy forms at unregulated premium rates, allowing us to underwrite business not served by the standard markets. Our E&S business also includes certain products offered by the admitted market. Carriers writing in the admitted market underwrite complex risks similar to those written by E&S carriers but are licensed by the insurance regulators of the states in which they do business as admitted carriers and are subject to rate and form regulation. We currently write portions of our environmental, a portion of our professional liability products and all of our surety business on an admitted basis.

Our subsidiary, American Safety Indemnity Company (American Safety Indemnity) and affiliate American Safety Risk Retention Group, Inc. (American Safety RRG) provide coverages in the E&S markets. Our subsidiary, American Safety Casualty Insurance Company (American Safety Casualty), provides coverage in the admitted portion of the E&S market. In 2011, gross written premiums totaled $155.5 million in our E&S division.

Alternative Risk Transfer

The Alternative Risk Transfer, or ART, market provides insurance, reinsurance and risk management products for insureds who want more control over the claims administration process, who want to reduce the cost of insurance or who are unable to find adequate insurance coverage. The ART market includes captive insurance companies and risk retention groups. Captive insurance companies are risk sharing vehicles, formed by one interest or a group of related interests to provide insurance coverage for their business operations. Risk retention groups are insurers owned by their policy holders that are licensed only in the state of their formation; however, through the Federal Liability Risk Retention Act, these groups may be able to write insurance in all states. These alternative risk transfer arrangements blend risk transfer and risk retention mechanisms and, along with self-insurance, form the ART market.

The ART market has traditionally been correlated to the standard market s underwriting cycle, expanding in hard market periods and retracting in soft market periods. We believe that this correlation has become less important as ART solutions have become more accessible, evidenced by an increase in the number of captive formations in both domestic and offshore domiciles, such as Vermont and Bermuda. This continued growth has contributed to the competitive environment in the ART market. Despite the current soft market, customers in certain industries continue to find that ART markets provide adequate, affordable coverages meeting their particular needs.

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Our participation in the ART market takes two forms: as a fully funded carrier and by underwriting in specialty programs. We serve as a fully funded carrier for risks that wish to essentially self-insure for which we receive fee income. We also underwrite specialty program business in which we outsource the underwriting and policy administration to program managers with established underwriting expertise in the particular homogenous risk covered by the program. We receive both premium and fee income from our specialty program business. In 2011, gross written premiums totaled $83.8 million in our ART division and recognized $3.2 million in fee income.

Assumed Reinsurance

Reinsurance is an agreement in which the reinsurer agrees to indemnify an insurance or reinsurance company, known as the ceding company, against a portion of the insurance risks underwritten by the ceding company under one or more reinsurance contracts. Reinsurance reduces the ceding company s net liability on individual risks or classes of risks, provides catastrophe protection from large or multiple losses, and can provide the ceding company with additional underwriting capacity. Reinsurance serves only to indemnify a ceding company for losses payable by the ceding company to its policyholders and, therefore does not discharge the ceding company from its liability to its policyholders.

During soft insurance markets, ceding companies tend to retain more of their risk, resulting in less premium ceded to reinsurers and, in response, reinsurers generally reduce rates to attract ceding companies. Although there has been increased competition and pricing pressure, we have been able to identify opportunities in attractively priced areas primarily with specialty insurers, captives, risk retention groups and program managers with a particular focus on general liability, professional liability and medical malpractice classes of business. We also participate in one property catastrophe retrocessional reinsurance treaty. In 2011, gross written premiums totaled $59.2 million in our assumed reinsurance division.

Excess and Surplus Lines**:** We provide the following excess and surplus lines products:

Environmental: General liability for various types of environmental risks including smaller market and middle market environmental contractors and consultants and environmental impairment liability. We do not provide coverage for manufacturers or installers of products containing asbestos, but instead may insure the contractors that remediate asbestos.

The environmental risks we underwrite are as follows:

- *Environmental Contractor and Consultant Risks:* general contractor pollution and/or professional liability coverage for environmental contractors and consultants, targeting two distinct markets:
  - Small market focused on environmental contractors and consultants with annual revenues below $3.0 million.
  - Middle market focused on environmental contractors and consultants with annual revenues above $3.0 million.
- *Environmental Impairment Liability:* coverage for fixed site pollution liability businesses such as manufacturers, real estate, storage tank facilities and waste facilities.

General Liability: primary general liability coverage for various types of residential and commercial risks.

The risks we underwrite include:

- *Residential Construction*: residential contractors, including primarily artisan contractors, subcontractors and general contractors;

- *Commercial Construction:* commercial contractors, including artisan contractors, subcontractors and general contractors;

- *Products Liability:* products liability coverage to small and middle market manufacturers and distributors of medium hazard products, excluding certain high severity classes of risks such as invasive medical products, pharmaceuticals and nutraceuticals; and

- *Other:* other coverages, including general liability for building owners and equipment dealers.

Excess Liability: Excess and umbrella liability coverage primarily in the construction and products liability areas, both over other carriers and our own primary policies.

Property: Property and packaged property and liability focused on fire exposed premises for risks such as apartment buildings, condominiums, office buildings and hotels/motels. A portion of our property risks provide wind cover but typically are not on coastlines but rather further inland.

Surety: Contract performance and payment bonds to environmental contractors and construction contractors in 49 states and the District of Columbia. We also underwrite commercial surety bonds.

Healthcare: General and professional liability for the long-term care industry including nursing homes and assisted living facilities.

Professional Liability: Coverage for primary and following-form excess directors and officers liability for public, private and non-profit entities; stand alone employment practices liability insurance (EPLI); and fiduciary liability. Primary and excess coverage for miscellaneous professional liability risks such as lawyers and insurance agents.

Alternative Risk Transfer: We provide the following alternative risk transfer products:

Specialty Programs. Working through third-party program managers, we target homogenous groups of specialty risks where the principal insurance coverages include either liability (general, professional or pollution liability) or property risks. Our specialty programs consist primarily of property and liability coverages for construction contractors, pest control operators, auto dealers, real estate brokers, restaurant and tavern owners and bail bondsmen. There were a total of 15 active programs at December 31, 2011.

Fully Funded. Fully funded policies allow us to meet the needs of insureds that, due to the nature of their businesses, pay high insurance premiums or are unable to find adequate insurance coverage. Typically, our insureds are required to maintain insurance coverage to operate their business and the fully funded product allows these insureds to provide evidence of insurance, yet at the same time maintain more control over insurance costs and claims handling. The fully funded product allows these businesses to self insure their insurance risks while providing evidence of insurance through a self-insurance vehicle, such as our affiliated segregated account captive, American Safety Assurance, or our sponsored captive, American Safety Assurance (VT), or through another captive vehicle established by the insured. We generally do not assume underwriting risk on these policies, but instead earn a fee for providing the insurance. Policy limits are set based on the requirements of the insured, and the insured collateralizes up to the entire aggregate limit or estimated losses through cash, trust accounts or irrevocable letters of credit, or a combination thereof.

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The aggregate policy limit caps the total damages payable under the policy, including defense costs. We write fully funded general and professional liability policies for businesses operating primarily in the healthcare and construction industries.

***Assumed Reinsurance*.**

Our subsidiary, American Safety Reinsurance, Ltd., focuses on treaty reinsurance for captives, Risk Retention Groups and specialty insurance companies. Lines of business written include medical malpractice, general liability across multiple sectors, commercial automobile liability, professional liability, workers compensation and one property catastrophe treaty that provides a finite limit over the exposure period. Business is sourced from a combination of London, U.S. and Bermuda based reinsurance brokers. The portfolio is a spread of smaller treaties across multiple lines of business written on both an excess of loss and quota share basis.

Runoff Lines.

When we exit a business line, we no longer renew or write any new policies in that business line, although we do continue to service existing policies until they expire and administer any claims associated with those policies. The business lines we have exited since 2002 are:

Workers Compensation. In 1994, we began writing workers compensation insurance for environmental contractors. During 2003, we placed this business line into runoff due to unfavorable loss experience as well as the cost associated with servicing this line of business. The claims associated with this line of business are being administered by a third-party. At December 31, 2011, we were carrying net loss reserves of $4.9 million related to this business line.

Excess Liability Insurance for Municipalities. We began writing excess liability insurance for municipalities in 2000. During 2003, we placed this business line into runoff due to a lack of premium production and difficulty in obtaining affordable reinsurance coverage. At December 31, 2011, we were carrying net loss reserves of $4.8 million related to this business line.

Competition

We compete with a number of domestic and international insurance and reinsurance companies, Lloyd s syndicates, alternative risk transfer mechanisms, risk retention groups, insurance purchasing groups and captive insurers. Our markets are highly competitive with respect to a number of factors, including overall financial strength, pricing, breadth of coverage, product flexibility, ratings of companies by independent rating agencies, quality of service, reputation and commission rates. We believe competition in the sectors of the market we target is fragmented and not dominated by one or more competitors. We frequently encounter competition from other companies that insure or reinsure risks in business lines that encompass the specialty markets in which we operate, as well as from standard insurance carriers as they try to gain market share. The companies with which we compete vary by the industries we target and the types of coverage we offer. Our E&S business competes with companies such as RLI Corp., Navigators Group, Meadowbrook Insurance Group, W.R. Berkley Corporation and Markel Corporation. In our ART business, we compete against companies such as Houston International Insurance Group, RLI Corp. and Philadelphia Insurance Company. Our reinsurance competitors range from Bermuda reinsurers such as Alterra Corporation to smaller reinsurers such as Wind River Reinsurance Company (a subsidiary of Global Indemnity PLC) as well as Lloyds of London.

There are no significant barriers to entry in the areas of the property and casualty industry in which we compete. The degree of competition at any given time is governed by a variety of factors, including market conditions and capital capacity. We believe that the industry is currently in a soft market period, characterized by broader coverage terms, lower premiums and excess capital. As a result, we are in a period of intensifying competition as companies attempt to utilize their capital by aggressively seeking market share, often writing policies at reduced pricing levels. In addition, standard insurers may aggressively write specialty coverages that they would not write in more favorable markets and carriers that normally are focused on larger risks may begin to market to the medium and small risks which are the focus of our business.

We are focused on market segments in which we believe we have significant underwriting expertise, seeking to earn consistent margins. Underwriting profit is a key component of our overall strategy and, in the current market conditions, underwriting expertise is critical. We believe that our underwriting expertise, our A (Excellent) rating from A.M. Best, the flexibility offered by our corporate structure, our focus on small to medium-sized risks in underserved markets and our producer relationships offer us competitive advantages in the E&S, ART and Assumed Reinsurance lines of business.

Additionally, we differentiate ourselves from our program competitors primarily in two ways. First, we typically require the program managers to share in the risk and profits of the business they produce by assuming a portion of the premiums and the losses on the coverage being offered, which are secured with collateral. Our Bermuda segregated account captive, American Safety Assurance, or our Vermont sponsored captive, American Safety Assurance (VT), can be utilized to facilitate the risk sharing position of the program manager by providing a vehicle for the program manager to collateralize its portion of the risk. The requirement to share a portion of the risk encourages the program manager to focus on underwriting profitability rather than solely on the production of commission income through premium volume. Second, we choose to focus on smaller programs where there are fewer competitors, thereby allowing us to obtain terms and conditions more favorable to us. We earn fee income in addition to assuming underwriting risk on the specialty program business that we write.

Rating

On February 21, 2012, A.M. Best, the most widely recognized insurance and reinsurance company rating agency, affirmed its rating of A (Excellent) with a stable outlook on a group basis of our Bermuda reinsurance subsidiary, our two U.S. insurance subsidiaries, and our U.S. non-subsidiary risk retention group affiliate. An A (Excellent) rating is the third highest of sixteen ratings assigned by A.M. Best and is granted to companies that have, in the opinion of A.M. Best, an excellent ability to meet their ongoing obligations to policyholders.

Some policyholders are required to obtain insurance coverage from insurance companies that have an A- (Excellent) or higher rating from A.M. Best. Additionally, many producers are prohibited from placing insurance or reinsurance with companies that are rated below A- (Excellent) by A.M. Best. A.M. Best s ratings represent an independent opinion of a company s ability to meet its obligations to policyholders and are of concern primarily to policyholders and producers. Its rating and outlook should not be considered an investment recommendation.

We have also been assigned a financial size category of Class IX by A.M. Best. A financial size category of Class IX is assigned by A.M. Best to companies with adjusted policyholder surplus of $250 million to $500 million.

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Distribution

The Company has over 500 licensed brokers and conducts business in 49 states on an admitted and surplus lines basis. In the United States, ASI is dedicated to the wholesale distribution channel with the exception of Surety & ART Specialty Programs. Surety distributes its products through specialty agents and brokers and ART Specialty Programs distributes its products through a limited number of Program Administrators, reinsurance intermediaries or specialized brokers. Finally, our fully funded products are marketed through a limited number of retail brokers, particularly those with a sophisticated understanding of the ART market. Also, there are a limited number of products where solicitation is performed by dedicated business development professionals employed by ASI Services, Inc. The Company s Bermuda assumed reinsurance subsidiary distributes our products through established reinsurance brokers in Bermuda, the United States and the United Kingdom (Lloyds of London). As of December 31, 2011, the Company has no individual producers that generate greater than 10% of gross written premiums.

Technology

We utilize information processing systems that are an integral part of our operations. We seek to improve the efficiency of our operations by integrating data throughout the organization and by moving data entry functions closer to the source of the information by providing the producers of our environmental line access to our systems via the Internet. We also have integrated software packages that address underwriting, claims and forms processing functions and are a secure collection of primary data. Our information technology department consists of twenty-five full-time employees and is supported by third-party vendors who provide support for our existing technology platform. We currently are engaged in a technology upgrade of our underwriting systems with the goal of consolidating submission clearing, rating, quoting, binding and policy delivery for our E&S producers. This upgrade has been completed for the Casualty Risk, Excess, and Healthcare lines and has already allowed us to reduce product development time, consolidate underwriting systems, and improve processing time. Ultimately, we believe the investment in a new underwriting system will provide:

- reduced product development time;
- improved processing time for rating, quoting and binding;
- the ability to leverage the infrastructure to process more business;
- flexibility to modify existing products more efficiently;
- expedite new products to the market; and
- improved data for business intelligence and analytics.

Underwriting

Excess and Surplus Lines

Our underwriting staff handles the insurance underwriting functions for all excess and surplus lines products, with specific underwriting authority related to the experience and knowledge level. Risks that are perceived to be more difficult and complex are underwritten by experienced staff and reviewed by management. The principal factors we use for underwriting these risks include the experience of the insured, its operating history, its loss history and, in some cases, its demonstrated commitment to effective loss control and risk management practices.

Most of our product line managers have approximately ten to fifteen years of underwriting experience and in excess of ten years of underwriting experience in the specialty areas we target. We differentiate ourselves from other companies by individually underwriting and pricing each risk, as opposed to the general classification pricing practices which are often performed by larger insurance companies. We seek to instill a culture of underwriting profitability over premium volume and our underwriters incentive compensation is based on profitability rather than premium

growth. We also enforce an internal quality control standard through periodic audits of underwriter files.

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The use of customized policy forms and contract wording is an important part of our underwriting and risk control process. This helps us limit our exposure on many of the specialty risks we insure and adequately respond to evolving claims trends in our core product lines. Policy terms and conditions are crafted in cooperation with legal counsel to limit or restrict coverage for certain risks. Standard, or admitted, carriers do not have the same flexibility to control policy language because they are more heavily regulated by the individual states in which they operate, and are generally required to use standard, broader insurance forms previously approved by state regulators.

Alternative Risk Transfer

In our specialty programs, we outsource the underwriting and policy administration duties to third-party program managers with established underwriting expertise in the particular specialty program area. Prior to entering into a program, we perform detailed reviews of underwriting, pricing practices, claims handling, management expertise, information systems and distribution networks. Based on the results of these reviews, specific underwriting guidelines are developed for each program and must be adhered to by program managers. We also perform an actuarial analysis on each program in an effort to ensure that the business projections meet our profitability requirements, as well as to determine the appropriate level of risk participation by us and the program manager. Claims handling for these programs are either performed by our internal claims professionals or through third-party administrators. After a program is implemented, we utilize our internal underwriting, claims, and audit personnel to conduct audits of the program s underwriting, actuarial, claim handling and insurance processing functions to ensure adherence to established underwriting guidelines and to update our assessment of the long-term profit potential of the program.

Assumed Reinsurance

American Safety Reinsurance has a professional staff in Bermuda that includes experienced actuaries and underwriters who selectively underwrite third-party assumed reinsurance business. The Bermuda staff conducts a review of each reinsurance submission to determine if it meets the Company s underwriting and profitability standards. The review includes an assessment of the underwriting experience of the ceding company, risk management controls in place, the nature of the business and an actuarial analysis of potential loss experience. Terms are then proposed on opportunities that meet our underwriting standards. The Bermuda staff also utilizes third parties to perform underwriting and claims audits as deemed necessary to further assess the underwriting and claims practices of the ceding company.

Claims Management

Excess and Surplus Lines

The specialty risks that we underwrite are complex and the claims reported by our insureds often involve coverage issues, or may result in litigation that requires a claims professional with specialized knowledge and claims management expertise. Accordingly, we employ experienced claims professionals with broad backgrounds in resolving the types of claims that typically arise from the specialty risks we underwrite. We believe our claims management approach, which focuses on achieving a financial outcome through prompt case evaluation and proactive litigation management practices, combined with our industry expertise, is integral to controlling our losses and loss adjustment expenses. We also utilize the knowledge and expertise that we gain through the claims management process to enhance our underwriting through frequent interaction among the claims, actuarial and underwriting staffs.

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We have established claims management best practices, which emphasize the thorough investigation of claims, prompt settlement of valid claims, aggressive defense against claims we believe to be without merit and the establishment of adequate reserves. We have a quality assurance unit that is responsible for establishing and maintaining claims handling best practices and monitoring the uniform and consistent application of these practices. This is accomplished primarily through audits of claims files as well as broader departmental audits, as necessary. The audit process includes an evaluation of all facets of the claims management process including investigation, litigation and reserving. These audits are used to measure departmental and individual performance and to identify areas for improvement.

We have a claims committee, composed of claims adjusting staff, claims management and legal, that meets regularly to discuss high exposure and complex claims, address litigation management strategies, coverage issues and the setting of reserves above established authority levels.

Alternative Risk Transfer

Claims management plays an important role in achieving our profitability goals in our alternative risk transfer division, specifically with respect to program business. We use our internal claims personnel as well as third-party administrators (TPAs) to handle the majority of the claims arising from policies written in our alternative risk transfer division, specifically program business. In some cases, the program manager responsible for the development and management of a particular program has established claims management expertise in the business line written under the program and will manage the claims for the program. By utilizing TPAs, we gain access to the required claims handling expertise in the unique business lines underwritten. Our selected TPAs undergo a pre-qualification process and are regularly audited. We select TPAs with claims personnel experienced in handling claims for the types of risks typical of the specific specialty program or fully funded account.

Our internal claims staff is responsible for both selecting the TPAs as well as ensuring the quality of claims adjudication by the TPAs. Our internal program claims staff pre-qualifies TPAs based on a process that considers, among other characteristics, expertise in a particular business line, reserving philosophy, litigation management philosophy and management controls. Once a TPA is qualified and selected, it is given limited reserve and settlement authority. We approve every claim in excess of a TPA s established settlement authority. Additionally, all coverage issues or disputes are required to be reported to our internal staff. To ensure that the TPAs we employ meet our performance standards, we conduct regular on-site claims audits. Recommendations arising from the claims audits are communicated to the TPA and an agreed upon action plan is implemented where required. Compliance with the action plan is monitored by our staff to ensure acceptable resolution of all recommendations.

Assumed Reinsurance

Reinsurers rely on the ceding company to manage claims and losses are ceded to the reinsurer in accordance with the coverage terms. We monitor ceded losses to ensure that they are ceded properly under the reinsurance agreement and, when appropriate, utilize outside services if there are coverage disputes or if losses are not consistent with the terms of the agreement. Claim audits are performed by third parties on an as-needed basis.

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Ceded Reinsurance

Reinsurance is a contractual arrangement under which one insurer (the ceding company) transfers to another insurer (the reinsurer) all or a portion of the liabilities that the ceding company has assumed under an insurance policy it has issued. A ceding company may purchase reinsurance for any number of reasons, including obtaining greater underwriting capacity, to protect against catastrophic loss and to enter or withdraw from a line of business. Reinsurance can be written on either a quota share basis (where premiums and losses are shared proportionally) or excess of loss basis (where losses are covered if they exceed a certain amount) or through a facultative (involving individual specific risk) reinsurance agreement.

Our Reinsurance protection is summarized as follows:

Casualty Reinsurance

General Liability and Programs $500,000 excess of a $500,000 net retention, with varying portions of the risk ceded to the reinsurers and covering construction and non-construction, programs, and the general liability portion of package business lines.

General Liability $4.0 million excess of $1.0 million for the general liability contracts, with 80% of the risk ceded to the reinsurers and covering construction, non-construction, environmental, specialty programs and casualty portion of package business lines.

All Lines $6.0 million excess of $5.0 million with 100% of the risk ceded to the reinsurers and covering the construction, non-construction, environmental, specialty programs, casualty portion of package business lines and limits in excess of $5.0 million written in the umbrella and excess lines.

Excess $5.0 million quota share placed on a cessions basis for umbrella and excess business with 80% of the risk ceded to the reinsurers.

Property Reinsurance

For core and program property business lines and reinstatement provisions, the agreement covers $1.5 million excess of $500,000 and $3.0 million excess of $2.0 million, both with 100% of the risk ceded to the reinsurers subject to certain recovery limitations associated with any one occurrence. For core property coverage above $5.0 million, our U.S. insurance subsidiaries have purchased a semi-automatic facultative facility.

Surety Reinsurance

The agreement covers 95% of risk for $1.0 million excess of $1.0 million, $2.0 million excess of $2.0 million, $3.5 million excess of $4.0 million and $5.0 million excess of $7.5 million, and is subject to certain limitations and reinstatements. The surety agreement provides coverage for both core surety and surety specialty program business lines.

Professional Liability

The agreement covers $5.0 million quota share 55% placed on a cessions basis for directors and officers, and miscellaneous professional liability risks. The professional liability agreement provides coverage for both primary and excess business.

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For the year ended December 31, 2011, we ceded $57.9 million of premium (19.4% of gross premiums written) to unaffiliated third-party reinsurers, as compared to $54.3 million of premium (19.6% of gross premiums written) in 2010. Ceded reinsurance premiums from the specialty programs business line were 45.8% of the 2011 amount and 48.6% of the 2010 amount.

Our Reinsurers

While reinsurance obligates the reinsurer to reimburse us for a portion of our losses, it does not relieve us of our primary liability to our insureds. If our reinsurers are either unwilling or unable to pay some or all of the claims made by us on a timely basis, we may bear the financial exposure. We have written reinsurance security procedures that establish financial guidelines for reinsurance companies prior to reinsuring business we write. Among these guidelines is a stipulation that reinsurance companies have an A.M. Best rating of at least A- (Excellent) and a financial size category of Class VIII or greater at the time of placing any reinsurance, unless sufficient collateral has been provided at the time we enter into our reinsurance agreement. The A.M. Best ratings of reinsurers are subject to change in the future, and may cause one or more of our reinsurers to fall below our stated requirements. A financial size category of Class VIII is assigned by A.M. Best to companies with adjusted policyholder surplus of $100 million to $250 million. We have also established an internal reinsurance security committee, including members of senior management, which meets to discuss and monitor our reinsurance coverage and the financial security of our reinsurers.

To protect against our reinsurers inability to satisfy their contractual obligations to us, our reinsurance contracts generally stipulate a collateral requirement for reinsurance companies that do not meet the financial strength and size requirements described above. These collateral requirements can be met through the issuance of irrevocable letters of credit, the establishment and funding of escrow accounts for our benefit or cash advances paid into a trust account. Collateral may also include our retention of amounts that we owe reinsurers for premium in the ordinary course of business. The following table is a listing of our largest reinsurers ranked by reinsurance recoverables and includes the collateral posted by these reinsurance companies as of December 31, 2011:

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Reinsurers	September 30, A.M. Best Rating [1]	September 30, Total Recoverables[2] at December 31, 2011	September 30, Collateral at December 31, 2011	September 30, Net Exposure at December 31, 2011
CastlePoint National Insurance[3]	A-	$ 30,729	$ 30,729	$
Partner Reinsurance Co. of US	A+	16,014	8	16,006
QBE Reinsurance Corporation	A	14,468		14,468
Roundstone Insurance, Ltd.	NR	12,168	11,342	826
Berkley Insurance Company.	A+	11,663		11,663
National America Insurance Company[4]	B++	9,923	9,923	
Munich Reinsurance America, Inc.	A+	7,812		7,812
Sirius America Insurance Company.	A	7,642		7,642
Aspen Insurance UK	A	7,022		7,022
Swiss Reinsurance America Corporation	A+	6,966		6,966
Other, net		77,292	26,470	50,822
Total reinsurance recoverables		201,699	78,472	123,227
Less valuation allowance		(5,007)		(5,007)
Net reinsurance recoverables		$ 196,692	$ 78,472	$ 118,220

(1) The A.M. Best rating is as of February 13, 2012.

(2) Total recoverables includes ceded recoverable amounts for paid loss and expenses, case and expense reserves, incurred but not reported reserves and ceded unearned premium.

(3) The Company has additional collateral of $27.7 million relative to this program, which is 100% fronted, but for illustrative purposes, presents it as fully collateralized.

(4) The Company has additional collateral of $2.7 million relative to this program, which is 100% fronted but for illustrative purposes, presents it as fully collateralized.

For more information on the financial exposure we bear with respect to our reinsurers, see Risk Factors.

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Selected Operating Information

Gross Written Premiums

The following table sets forth our gross written premiums and percentage of total gross written premiums by division for the years ended December 31, 201ndent:0pt;;font-family:Times New Roman;font-size:10pt;">

Distribution Segment

Net

Sales

Key Product Areas

Product Brands

Key Capabilities &

Services

Representative Markets

$149.6

•

Tire Valves & Accessories

•

Myers Tire Supply®

•

Broad Sales Coverage

•

Retail Tire Dealers

26%

•

Tire Changing &

•

Myers Tire Supply

•

Local Sales

•

Truck Tire Dealers

Balancing Equipment

International™

•

Four Strategically Placed

•

Auto Dealers

•

Lifts & Alignment Equipment

•

Patch Rubber Company®

Distribution Centers

•

Commercial Auto & Truck

•

Service Equipment

•

Elrick

•

International Distribution

Fleets

•

Hand Tools

•

Fleetline

•

Personalized Service

•

General Repair & Services

•

Tire Repair & Retread

•

MTS

•

National Accounts

Facilities

Equipment & Supplies

•

Phoenix

•

Product Training

- Tire Retreaders

- Brake, Transmission & Allied

- Seymoure

- Repair/Service Training

- Tire Repair

Service Equipment & Supplies

- New Products/Services

- Governmental Agencies

- Highway Markings

“Speed to Market”

- Telecommunications

- Industrial Rubber

- Rubber Mixing

- Industrial

- General Shop Supplies

- Rubber Compounding

- Road Construction

- Tire Pressure Monitoring System

- Rubber Calendaring

- Mining

- Tiered Product Offerings

Segments Overview

Material Handling Segment

The Material Handling Segment manufactures highly engineered polymer packaging containers, storage and safety products, and specialty molded parts. The brands within this segment include Buckhorn®, Akro-Mils™, Jamco Products, Ameri-Kart®, and Scepter.

Buckhorn's reusable containers and pallets are used in closed-loop supply chain systems to help customers improve product protection, increase handling efficiencies, reduce freight costs and eliminate solid waste and disposal costs. Buckhorn offers products to replace costly single use cardboard boxes, wooden pallets, and steel containers. The product line is among the broadest in the industry and includes injection-molded and structural foam-molded constructions. Buckhorn's product lines include hand-held containers used for inventory control, order management and transportation of retail goods; collapsible and fixed-wall bulk transport containers for light and heavy-duty tasks; intermediate bulk containers for the storage and transport of food, liquid, powder, and granular products; plastic pallets; and specialty boxes designed for storage of items such as seed. Buckhorn also produces a wide variety of specialty products designed for niche applications and custom products designed according to exact customer specifications.

Akro-Mils material handling products provide customers everything they need to store, organize and transport a wide range of goods while increasing overall productivity and profitability. Serving industrial and commercial markets, Akro-Mils products range from AkroBins® — the industry's leading small parts bins — to Super-Size AkroBins, metal panel and bin hanging systems, metal storage cabinet and bin systems, wire shelving systems, plastic and metal transport carts and a wide variety of custom storage and transport products. Akro-Mils products deliver storage and organization solutions in a wide variety of applications, from creating assembly line workstations to organizing medical supplies and retail displays. Emphasis is placed on product bundling and customizing systems to create specific storage and organization configurations for customers' operations.

Jamco Products is well established in industrial and commercial markets with its wide selection of welded steel service carts, platform trucks, mobile work centers, racks and cabinets for plastic bins, safety cabinets, medical cylinder carts and more. Jamco Products' strong product offering, relationships with industrial distributors and reputation for quality and service complements Myers Industries' existing Material Handling businesses.

Ameri-Kart is an industry leading manufacturer and thermoformer of rotational-molded water, fuel and waste handling tanks, plastic trim and interior parts used in the production of seat components, consoles, and other applications throughout the recreational vehicle, marine, and industrial markets. In addition to standard marine parts, Ameri-Kart is well respected within the marine market for its patented Enviro-Fill® overfill prevention system ("OPS") technology and is the industry's only turnkey provider of an integrated, Environmental Protection Agency ("EPA")-compliant marine fuel tank and patented Enviro-Fill diurnal system.

Scepter is a leading producer of portable plastic fuel containers, portable marine fuel tanks and water containers, ammunition containers and storage totes. Scepter was the first provider of Jerry Cans to North America which offer safe, reliable transportation and storage of fuel for the consumer market. Scepter also manufactures a variety of molded products for military applications from high quality containers to safely store and transport large caliber ammunition, to military specified portable fuel and water canisters. Scepter's in-house product engineering and state of the art mold capabilities complements Myers Industries' Material Handling Segment through an increased product offering and global reach.

Distribution Segment

Our Distribution Segment includes the Myers Tire Supply®, Myers Tire Supply International™ and Patch Rubber Company® brands. Within the Distribution Segment we source and manufacture top of the line products for the tire, wheel and undervehicle service industry.

Myers Tire Supply is the largest U.S. distributor and single source for tire, wheel and undervehicle service tools, equipment and supplies. We buy and sell over 10,000 different items — everything that professionals need to service passenger, truck and off-road tires, wheels and related components. Independent tire dealers, mass merchandisers, commercial auto and truck fleets, auto dealerships, tire retreaders and general repair facilities rely on our broad product selection, rapid availability and personal service to be more productive and profitably grow their business. Myers Tire Supply International further distributes these product offerings in Central America, through its branch offices, and to other foreign countries, through its U.S. export business.

While the needs and composition of our distribution markets constantly change, we adapt and deliver new products and services that are crucial to our customers' success. The new product pipeline is driven by a thorough understanding of the market and its customers' needs. Myers Tire Supply in turn works closely with its suppliers to develop innovative products and services to meet these needs.

Patch Rubber Company manufactures one of the most comprehensive lines of tire repair and retreading products in the United States. Service professionals rely on our extensive product selection and quality for safe, cost-effective repairs to passenger, truck and off-road tires. Products include the plug that fills a puncture, the cement that seals the plug, the tire innerliner patch and the final sealing compound. Patch brand repair products maintain a strong position in the tire service markets including sales through the Myers Tire Supply sales network. Patch Rubber also employs its rubber calendering and compounding expertise to create a diverse portfolio of products outside of the tire repair market, such as reflective highway marking tapes. Our rubber-based tape and symbols provide the durability and brightness that construction professionals demand to replace paint for marking road repair, intersections and hazardous areas. Compared with traditional highway paint, the tape stock is easier to apply, more reflective and longer lasting.

Raw Materials & Suppliers

The Company purchases substantially all of its raw materials from a wide range of third-party suppliers. These materials are primarily polyethylene, polypropylene, and polystyrene plastic resins, all used within the Material Handling Segment, as well as synthetic and natural rubber. Most raw materials are commodity products and available from several domestic suppliers. We believe that the loss of any one supplier or group of suppliers would not have a material adverse effect on our business.

Our Distribution Segment purchases substantially all of its components from third-party suppliers and has multiple sources for its products.

Competition

Competition in our Material Handling Segment is substantial and varied in form and size from manufacturers of similar products and of other products which can be substituted for those produced by the Company. In general, most direct competitors with the Company’s brands are private entities. Myers Industries maintains strong brand presence and market positions in the niche sectors of the markets it serves. The Company does not command substantial, overall market presence in the broad market sectors.

Competition in our Distribution Segment is generally comprised of small companies, regional players and national auto parts chains where product offerings may overlap. Within the overall tire, wheel and undervehicle service market, Myers Industries is the largest U.S. distributor of tools, equipment and supplies offered based on national coverage.

Customer Dependence

In 2018, 2017 and 2016, there were no customers that accounted for more than ten percent of total net sales from continuing operations. Myers Industries serves thousands of customers who demand value through product selection, innovation, quality, delivery and responsive personal service. Our brands foster satisfied, loyal customers who have recognized our performance through numerous supplier quality awards.

Employees

As of December 31, 2018, Myers Industries had a total of approximately 1,800 full-time and part-time employees. Of these, approximately 1,240 were employed in the Company’s Material Handling Segment and the Distribution Segment employed approximately 510. The Company’s corporate offices had approximately 50 employees.

As of December 31, 2018, the Company had approximately 140 employees represented by a labor union. The collective bargaining agreement between us and the labor union expires June 2019. We consider our relationship with our employees generally to be satisfactory.

Backlog

The backlog of orders for our operations is estimated to have been approximately $47 million at December 31, 2018 and approximately $54 million at December 31, 2017. Generally, our lead time between customer order and product delivery is less than 90 days, and thus our estimated backlog is substantially expected to be delivered within the succeeding three months. During periods of shorter lead times, backlog may not be a meaningful indicator of future sales. Accordingly, we do not believe our backlog data and comparisons thereof, as of different dates, reliably indicate future sales or shipments.

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Available Information

Filings with the SEC. As a public company, we regularly file reports and proxy statements with the Securities and Exchange Commission (“SEC”), such as:

- annual reports on Form 10-K;
- quarterly reports on Form 10-Q;
- current reports on Form 8-K; and
- proxy statements on Schedule 14A.

The SEC maintains an internet website that contains our reports, proxy and information statements, and our other SEC filings; the address of that site is http://www.sec.gov.

We make our SEC filings available free of charge on our own internet site as soon as reasonably practicable after we have filed with the SEC. Our internet address is http://www.myersindustries.com. The content on the Company’s website is available for informational purposes only and is not incorporated by reference into this Form 10-K.

Corporate Governance. We have a Code of Business Conduct for our employees and members of our Board of Directors. A copy of this Code is posted on our website in the section titled “Investor Relations”. We will satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, any provision of this Code with respect to our executive officers or directors by disclosing the nature of that amendment or waiver.

Our website also contains additional information about our corporate governance policies, including the charters of our standing board committees. Any of these items are available in print to any shareholder who requests them. Requests should be sent to Corporate Secretary, Myers Industries, Inc., 1293 S. Main Street, Akron, Ohio 44301.

ITEM 1A. Risk Factors

This Form 10-K and the information we are incorporating by reference contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, including information regarding the Company’s financial outlook, future plans, objectives, business prospects and anticipated financial performance. You can identify forward-looking statements by words such as “will,” “believe,” “anticipate,” “expect,” “estimate,” “intend,” “plan,” or variations of these words, or similar expressions. These forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, these statements inherently involve a wide range of inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. The Company’s actual actions, results, and financial condition may differ materially from what is expressed or implied by the forward-looking statements. Specific factors that could cause such a difference include those set forth below and other important factors disclosed previously and from time to time in our other filings with the Securities and Exchange Commission. Given these factors, as well as other variables that may affect our operating results, you should not rely on forward-looking statements, assume that past financial performance will be a reliable indicator of future performance, nor use historical trends to anticipate results or trends in future periods. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date thereof. We expressly disclaim any obligation or intention to provide updates to the forward-looking statements and the estimates and assumptions associated with them.

Risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the applicable statements include, but are not limited to:

Any significant increase in the cost of raw materials or disruption in the availability of raw materials could adversely affect our performance.

Our ability to manage our cost structure can be adversely affected by movements in commodity and other raw material prices. Our primary raw materials include plastic resins, colorants and natural and synthetic rubbers. Plastic resins in particular are subject to substantial short term price fluctuations, including those arising from supply shortages and changes in the price of natural gas, crude oil and other petrochemical intermediates from which resins are produced, as well as other factors. Over the past several years, we have at times experienced rapidly increasing resin prices. The Company’s revenue and profitability may be materially and adversely affected by these price fluctuations.

Market conditions may limit our ability to raise selling prices to offset increases in our raw material input costs. If we are unsuccessful in developing ways to mitigate raw material cost increases, we may not be able to improve productivity or realize our ongoing cost reduction programs sufficiently to help offset the impact of these increased raw material costs. As a result, higher raw material costs could result in declining margins and operating results.

Changes in raw material availability may also occur due to events beyond our control, including natural disasters such as floods, tornadoes and hurricanes. Our specific molding technologies and/or product specifications can limit our ability to locate alternative suppliers to produce certain products.

Changes in trade policies could result in new tariffs or other restrictions on products, components or raw materials sourced, directly or indirectly, from foreign countries, which could increase raw material costs and adversely impact profitability. However, as the Company has limited foreign operations and sources the majority of its raw materials domestically, we do not believe any new tariffs would have a material impact on our operations. Additionally, the Company believes that any impact can be mitigated through increases in price or sourcing through an alternate supply chain.

We may incur inherent risks and may not achieve anticipated benefits associated with our strategic growth initiatives.

Our growth initiatives include:

- Internal growth driven by strong brands and new product innovation;
- Development of new, high-growth markets and expansion in existing niche markets;
- Strengthened customer relationships through value-added initiatives and key product partnerships;
- Investments in new technology and processes to reinforce market strength and capabilities in key business groups;
- Consolidation and rationalization activities to further reduce costs and improve productivity within our manufacturing and distribution footprint;
- An opportunistic and disciplined approach to strategic acquisitions to accelerate growth in our market positions; and
- Potential divestitures of businesses with non-strategic products or markets.

While this is a continuous process, all of these activities and initiatives have inherent risks and there remain significant challenges and uncertainties, including economic and general business conditions that could limit our ability to achieve anticipated benefits associated with announced strategic initiatives and affect our financial results. We may not achieve any or all of these goals and are unable to predict whether these initiatives will produce significant revenues or profits.

We may not realize the improved operating results that we anticipate from past acquisitions or from acquisitions we may make in the future and we may experience difficulties in integrating the acquired businesses or may inherit significant liabilities related to such businesses.

We explore opportunities to acquire businesses that we believe are related to the execution of the Company’s long-term strategy, with a focus on, among other things, asset light business models, flexible operations, and penetration of niche markets. Some of these acquisitions may be material to us. We expect such acquisitions will produce operating results consistent with our other operations and fit within our strategic goals; however, we may be unable to achieve the benefits expected to be realized from our acquisitions. In addition, we may incur additional costs and our management’s attention may be diverted because of unforeseen expenses, difficulties, complications, delays and other risks inherent in acquiring businesses, including the following:

- We may have difficulty integrating the acquired businesses as planned, which may include integration of systems of internal controls over financial reporting and other financial and administrative functions;
- We may have delays in realizing the benefits of our strategies for an acquired business;

- The increasing demands on our operational systems and integration costs, including diversion of management’s time and attention, may be greater than anticipated;
- We may not be able to retain key employees necessary to continue the operations of an acquired business;
- Acquisition costs may be met with cash or debt, increasing the risk that we will be unable to satisfy current financial obligations; and
- Acquired companies may have unknown liabilities that could require us to spend significant amounts of additional capital.

Our results of operations and financial condition could be adversely affected by a downturn in the United States economy or the global markets.

We operate in a wide range of regions, primarily North America and Central America, and, until the divesture of our Brazil Business in the fourth quarter of 2017, South America. Additionally, some of our end markets are cyclical, and some of our products are a capital expense for our customers. Worldwide and regional business and political conditions and overall strength of the worldwide, regional and local economies, including changes in the economic conditions of the broader markets and in our individual niche markets, could have an adverse effect on one or both of our operating segments.

We operate in a very competitive business environment, which could affect our financial condition and results of operations.

Both of our segments participate in markets that are highly competitive. We compete primarily on the basis of product quality, product performance, value, and supply chain competency. Our competitive success also depends on our ability to maintain strong brands, customer relationships and the belief that customers will need our products and services to meet their growth requirements. The development and maintenance of such brands requires continuous investment in brand building, marketing initiatives and advertising. The competition that we face in all of our markets — which varies depending on the particular business segment, product lines and customers — may prevent us from achieving sales, product pricing and income goals, which could affect our financial condition and results of operations.

Our operations depend on our ability to maintain continuous, uninterrupted production at our manufacturing facilities, which are subject to physical and other risks that could disrupt production.

We are subject to inherent risks in our diverse manufacturing and distribution activities, including, but not limited to: product quality, safety, licensing requirements and other regulatory issues, environmental events, loss or impairment of key manufacturing or distribution sites, disruptions in logistics and transportation services, labor disputes and industrial accidents. While we maintain insurance covering our manufacturing and production facilities, including business interruption insurance, a catastrophic loss of the use of all or a portion of our facilities due to accident, fire, explosion, or natural disaster, whether short or long-term, could have a material adverse effect on our business, financial condition and results of operations.

Unexpected failures of our equipment and machinery may also result in production delays, revenue loss and significant repair costs, as well as injuries to our employees. Any interruption in production capability may require us to make large capital expenditures to remedy the situation, which could have a negative impact on our profitability and cash flows. Our business interruption insurance may not be sufficient to offset the lost revenues or increased costs that we may experience during a disruption of our operations. A temporary or long-term business disruption could result in a permanent loss of customers. If this were to occur, our future sales levels, and therefore our profitability, could be materially adversely affected.

We derive a portion of our revenues from direct and indirect sales outside the United States and are subject to the risks of doing business in foreign countries.

We currently operate manufacturing, sales and service facilities outside of the United States, particularly in Canada and Central America. For the year ended December 31, 2018, international net sales accounted for approximately 9% of our total net sales from continuing operations. Accordingly, we are subject to risks associated with operations in foreign countries, including:

- Fluctuations in currency exchange rates;
- Limitations on the remittance of dividends and other payments by foreign subsidiaries;
- Limitations on foreign investment;
- Additional costs of compliance with local regulations; and
- In certain countries, higher rates of inflation than in the United States.

In addition, our operations outside the United States are subject to the risk of new and different legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations and potentially adverse tax consequences. The costs related to our international operations could adversely affect our operations and financial results in the future.

Our future performance depends in part on our ability to develop and market new products if there are changes in technology, regulatory requirements or competitive processes.

Changes in technology, regulatory requirements and competitive processes may render certain products obsolete or less attractive. Our performance in the future will depend in part on our ability to develop and market new products that will gain customer acceptance and loyalty, as well as our ability to adapt our product offerings and control our costs to meet changing market conditions. Our operating performance would be adversely affected if we were to incur delays in developing new products or if such products did not gain market acceptance. There can be no assurance that existing or future products will be sufficiently successful to enable us to effectively compete in our markets or, should new product offerings meet with significant customer acceptance, that one or more current or future competitors will not introduce products that render our products noncompetitive.

We may not be successful in protecting our intellectual property rights, including our unpatented proprietary know-how and trade secrets, or in avoiding claims that we infringed on the intellectual property rights of others.

In addition to relying on patent and trademark rights, we rely on unpatented proprietary know-how and trade secrets and employ various methods, including confidentiality agreements with employees and consultants, to protect our know-how and trade secrets. However, these methods and our patents and trademarks may not afford complete protection and there can be no assurance that others will not independently develop the know-how and trade secrets or develop better production methods than us. Further, we may not be able to deter current and former employees, contractors and other parties from breaching confidentiality agreements and misappropriating proprietary information and it is possible that third parties may copy or otherwise obtain and use our information and proprietary technology without authorization or otherwise infringe on our intellectual property rights. Additionally, in the future we may license patents, trademarks, trade secrets and similar proprietary rights to third parties. While we attempt to ensure that our intellectual property and similar proprietary rights are protected when entering into business relationships, third parties may take actions that could materially and adversely affect our rights or the value of our intellectual property, similar proprietary rights or reputation. In the future, we may also rely on litigation to enforce our intellectual property rights and contractual rights and, if not successful, we may not be able to protect the value of our intellectual property. Furthermore, no assurance can be given that we will not be subject to claims asserting the infringement of the intellectual property rights of third parties seeking damages, the payment of royalties or licensing fees and/or injunctions against the sale of our products. Any litigation could be protracted and costly and could have a material adverse effect on our business and results of operations regardless of its outcome.

If we are unable to maintain access to credit financing, our business may be adversely affected.

The Company’s ability to make payments and to refinance our indebtedness, fund planned capital expenditures, finance acquisitions and pay dividends will depend on our ability to generate cash in the future and retain access to credit financing. This, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot provide assurance that our business will generate sufficient cash flow from operating activities or that future borrowings will be available to us under our credit facilities in amounts sufficient to enable us to service debt, make necessary capital expenditures or fund other liquidity needs. We may need to refinance all or a portion of our indebtedness, on or before maturity. We cannot be sure that we would be able to refinance any of our indebtedness on commercially reasonable terms or at all.

The credit facilities contain restrictive covenants and cross default provisions that require us to maintain specified financial ratios. The Company’s ability to satisfy those financial ratios can be affected by events beyond our control, and we cannot be assured we will satisfy those ratios. A breach of any of those financial ratio covenants or other

covenants could result in a default. Upon the occurrence of an event of default, the lenders could elect to declare the applicable outstanding indebtedness due immediately and payable and terminate all commitments to extend further credit. We cannot be sure that our lenders would waive a default or that we could pay the indebtedness in full if it were accelerated.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our common stock.

Internal control systems are intended to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. Any failure to maintain effective controls or implement required new or improved controls could cause us to fail to meet our periodic reporting obligations or result in material misstatements in our consolidated financial statements, and substantial costs and resources may be required to rectify these internal control deficiencies. If we have an internal control deficiency and our remedial measures are insufficient, material weaknesses or significant deficiencies in our internal control over financial reporting could be discovered or occur in the future, and our consolidated financial statements may contain material misstatements. See Item 9A – Controls and Procedures for further discussion.

We may be subject to risks relating to our information technology systems.

We rely on information technology systems to process, transmit and store electronic information and manage and operate our business. Such systems are vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, computer viruses, computer denial-of-service attacks, unauthorized intrusion, and other events, any of which could interrupt our business operations. While we have implemented security measures designed to prevent and mitigate the risk of breaches, information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. A failure in or a breach of security could expose us and our customers and suppliers to risks of misuse of confidential information, manipulation and destruction of data, production downtimes and operations disruptions, which in turn could negatively affect our reputation, competitive position, business, results of operations or cash flows. Furthermore, because the techniques used to carry out cyber-attacks change frequently and in many instances are not recognized until after they are used against a target, we may be unable to anticipate these changes or implement adequate preventative measures.

Future claims, litigation and regulatory actions could adversely affect our financial condition and our ability to conduct our business.

The nature of our business exposes us, from time to time, to breach of contract, warranty or recall claims, or claims for negligence, product liability, strict liability, personal injury or property damage claims. While we strive to ensure that our products comply with applicable government regulatory standards and internal requirements and that our products perform effectively and safely, customers from time to time could claim that our products do not meet contractual requirements, and users could be harmed by use or misuse of our products. This could give rise to breach of contract, warranty or recall claims, or claims for negligence, product liability, strict liability, personal injury or property damage. Such claims can be expensive to defend and may divert the attention of management for significant time periods. While we currently maintain what we believe to be a suitable and adequate product liability insurance, product liability insurance coverage may not be available or adequate in all circumstances and such claims may increase the cost of such insurance coverage. In addition, claims may arise related to patent infringement, environmental liabilities, distributor terminations, commercial contracts, antitrust or competition law, employment law and employee benefits issues and other regulatory matters. While we have in place processes and policies to mitigate these risks and to investigate and address such claims as they arise, we cannot predict the underlying costs to defend or resolve such claims.

Current and future environmental and other governmental laws and requirements could adversely affect our financial condition and our ability to conduct our business.

Our operations are subject to federal, state, local and foreign environmental laws and regulations that impose limitations on the discharge of pollutants into the air and water and establish standards for the handling, use, treatment, storage and disposal of, or exposure to, hazardous wastes and other materials and require clean-up of contaminated sites. Some of these laws and regulations require us to obtain permits, which contain terms and conditions that impose limitations on our ability to emit and discharge hazardous materials into the environment and periodically may be subject to modification, renewal and revocation by issuing authorities. Fines, penalties and other civil or criminal sanctions may be imposed for non-compliance with applicable environmental laws and regulations and the failure to have or to comply with the terms and conditions of required permits. Certain environmental laws in the United States, such as the federal Comprehensive Environmental Response, Compensation and Liability act of 1980, as amended, 42 U.S.C. §§ 9601 et seq. (“CERCLA” or “Superfund law”) and similar state laws, impose liability for the cost of investigation or remediation of contaminated sites upon the current or, in some cases, the former site owners or operators (or their predecessor entities) and upon parties who arranged for the disposal of wastes or transported or sent those wastes to an off-site facility for treatment or disposal, regardless of when the release of

hazardous substances occurred or the lawfulness of the activities giving rise to the release. Such liability can be imposed without regard to fault and, under certain circumstances, can be joint and several, resulting in one party being held responsible for the entire obligation.

While we have not been required historically to make significant capital expenditures in order to comply with applicable environmental laws and regulations, we cannot predict with any certainty our future capital expenditure requirements because of continually changing compliance standards and environmental technology. Furthermore, violations or contaminated sites that we do not know about, including contamination caused by prior owners and operators of such sites, or at sites formerly owned or operated by us or our predecessors in connection with discontinued operations, could result in additional compliance or remediation costs or other liabilities, which could be material.

As more fully described in Item 3, “Legal Proceedings” below, we are a potentially responsible party (“PRP”) in an environmental proceeding and remediation matter in which substantial amounts may be involved. It is possible that adjustments to reserved expenses will be necessary as new information is obtained, including after preparation and EPA approval of the work plan for the remedial investigation and feasibility study (“RI/FS”), which is anticipated to occur in the first half of 2019. Estimates of the Company’s liability are based on current facts, laws, regulations and technology. Estimates of the Company’s environmental liabilities are further subject to uncertainties regarding the nature and extent of site contamination, the range of remediation alternatives available, evolving remediation standards, imprecise engineering evaluation and cost estimates, the extent of remedial actions that may be required, the extent of oversight by the EPA, the number and financial condition of other PRPs that may be named as well as the extent of their responsibility for the remediation, and the availability of insurance coverage for these expenses. At this time, we have not accrued for such remediation costs as we are unable to estimate the liability at this time. Additionally, we are party to a consent decree regarding another location pursuant to which we are required to contribute to the costs of the remediation project.

We have limited insurance coverage for potential environmental liabilities associated with historic and current operations and we do not anticipate increasing such coverage in the future. We may also assume significant environmental liabilities in acquisitions. Such costs or liabilities could adversely affect our financial situation and our ability to conduct our business.

Environmental regulations specific to plastic products and containers could adversely affect our ability to conduct our business.

Federal, state, local and foreign governments could enact laws or regulations concerning environmental matters that increase the cost of producing, or otherwise adversely affect the demand for, plastic products. Legislation that would prohibit, tax or restrict the sale or use of certain types of plastic and other containers, and would require diversion of solid wastes such as packaging materials from disposal in landfills, has been or may be introduced in the U.S. Congress, in state legislatures and other legislative bodies. While container legislation has been adopted in a few jurisdictions, similar legislation has been defeated in public referenda in several states, local elections and many state and local legislative sessions. There can be no assurance that future legislation or regulation would not have a material adverse effect on us. Furthermore, a decline in consumer preference for plastic products due to environmental considerations could have a negative effect on our business.

Our insurance coverage may be inadequate to protect against potential hazardous incidents to our business.

We maintain property, business interruption, product liability and casualty insurance coverage, but such insurance may not provide adequate coverage against potential claims, including losses resulting from war risks, terrorist acts or product liability claims relating to products we manufacture. Consistent with market conditions in the insurance industry, premiums and deductibles for some of our insurance policies have been increasing and may continue to increase in the future. In some instances, some types of insurance may become available only for reduced amounts of coverage, if at all. In addition, there can be no assurance that our insurers would not challenge coverage for certain claims. If we were to incur a significant liability for which we were not fully insured or that our insurers disputed, it could have a material adverse effect on our financial position, results of operations or cash flows.

Our business operations could be significantly disrupted if members of our senior management team were to leave.

Our success depends to a significant degree upon the continued contributions of our senior management team. Our senior management team has extensive marketing, sales, manufacturing, finance and engineering experience, and we believe that the depth of our management team is instrumental to our continued success. The loss of any of our key executive officers in the future could significantly impede our ability to successfully implement our business strategy, financial plans, expansion of services, marketing and other objectives.

Unforeseen future events may negatively impact our economic condition.

Future events may occur that would adversely affect the reported value of our assets. Such events may include, but are not limited to, strategic decisions made in response to changes in economic and competitive conditions, the impact of the economic environment on our customer base, a material adverse change in our relationship with significant customers, or natural disasters or other catastrophic events beyond our control. Any of these events may adversely affect our financial condition and results of operations.

Equity Ownership Concentration

Based solely on the Schedule 13D filed on September 13, 2018, by Gabelli Funds, LLC, GAMCO Asset Management Inc., MJG Associates, Inc., Gabelli & Company Investment Advisors, Inc., Teton Advisors, Inc., Gabelli Foundation,

Inc., GGCP, Inc., and GAMCO Investors, Inc., (collectively, the "Gamco Group"), for which the Company disclaims any responsibility, beneficially owned 7,162,114 shares of our common stock, which represented approximately 20% of the 35,351,248 shares outstanding as reported in our Form 10-Q for the quarterly period ended September 30, 2018. Combined, these parties may have sufficient voting power to influence actions requiring the approval of our shareholders.

Changes in laws and regulations may have an adverse impact on our operations.

Changes in laws and regulations and approvals and decisions of courts, regulators, and governmental bodies on any legal claims known or unknown, could have an adverse effect on the Company's financial results. Additionally, changes in tax laws or new guidance issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies could impact our future effective tax rate and may result in a material adverse effect on our business, financial condition, results of operations, or cash flows.

ITEM 1B. Unresolved Staff Comments

None.

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ITEM 2. Properties

The following table sets forth certain information with respect to properties owned by the Company as of December 31, 2018:

Location	Approximate Floor Space (Square Feet)	Approximate Land Area (Acres)	Use
	Distribution		
Akron, Ohio	129,000	8	Headquarters and distribution center
Akron, Ohio	67,000	5	Administration and warehousing
Wadsworth, Ohio	125,000	12	Distribution center
	Manufacturing		
Miami, Oklahoma	330,000	16	Manufacturing and distribution
Sandusky, Ohio *	305,000	8	Manufacturing and distribution
Springfield, Missouri	227,000	19	Manufacturing and distribution
Wadsworth, Ohio	197,000	23	Manufacturing and distribution
Bristol, Indiana	185,000	12	Manufacturing and distribution
Roanoke Rapids, North Carolina	172,000	20	Manufacturing and distribution
Scarborough, Ontario	170,000	8	Manufacturing and distribution

* Facility ceased operations in March 2018.

The following table sets forth certain information with respect to facilities leased by the Company as of December 31, 2018:

Location	Approximate Floor Space (Square Feet)	Expiration Date of Lease	Use
	Manufacturing & Distribution		
Cassopolis, Michigan	210,000	October 31, 2023	Manufacturing and distribution
South Beloit, Illinois	160,000	September 30, 2020	Manufacturing and distribution
Springfield, Missouri	70,000	October 31, 2019	Warehousing
Southaven, Mississippi	56,000	September 30, 2023	Distribution center

Salt Lake City, Utah	30,000	October 31, 2023	Distribution center
Milford, Ohio	22,000	Month to Month	Administration and sales
Milford, Ohio	12,000	December 31, 2023	Administration and sales
Pomona, California	18,000	February 28, 2028	Sales and distribution center

The Company also leases facilities for its sales offices and sales branches in the United States and Central America which, in the aggregate, amount to approximately 35,000 square feet of warehouse and office space. All of these locations are used by the Distribution Segment.

The Company believes that all of its properties, machinery and equipment generally are well maintained and adequate for the purposes for which they are used.

ITEM 3. Legal Proceedings

The Company is a defendant in various lawsuits and a party to various other legal proceedings, in the ordinary course of business, some of which are covered in whole or in part by insurance. When a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the estimated loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable of occurrence than another. As additional information becomes available, any potential liability related to these matters will be assessed and the estimates will be revised, if necessary.

Based on current available information, management believes that the ultimate outcome of these matters, including those described below, will not have a material adverse effect on our financial position, cash flows or overall trends in our results of operations. However, these matters are subject to inherent uncertainties, and unfavorable rulings could occur. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on the financial position and results of operations of the period in which the ruling occurs, or in future periods.

New Idria Mercury Mine

In September 2015, the U.S. Environmental Protection Agency ("EPA") informed a subsidiary of the Company, Buckhorn, Inc. ("Buckhorn") via a notice letter and related documents (the "Notice Letter") that it considers Buckhorn to be a potentially responsible party ("PRP") in connection with the New Idria Mercury Mine site ("New Idria Mine"). New Idria Mining & Chemical Company ("NIMCC"), which owned and/or operated the New Idria Mine through 1976, was merged into Buckhorn Metal Products Inc. in 1981, which was subsequently acquired by Myers Industries in 1987. As a result of the EPA Notice Letter, Buckhorn and the Company engaged in negotiations with the EPA with respect to a draft Administrative Order of Consent ("AOC") proposed by the EPA for the Remedial Investigation/Feasibility Study ("RI/FS") to determine the extent of remediation necessary and the screening of alternatives.

During the fourth quarter of 2018, the Company and the EPA finalized the AOC and related Statement of Work ("SOW") with regards to the New Idria Mine. The AOC is effective as of November 27, 2018, the date that it was executed by the EPA. The AOC and accompanying SOW document the terms, conditions and procedures for the Company's performance of the RI/FS. In addition, the AOC requires the Company to provide $2 million of financial assurance to the EPA during the estimated three year life of the RI/FS. In January 2019, the Company provided this assurance as a letter of credit. The AOC also includes provisions for payment by the Company of the EPA's costs of oversight of the RI/FS, including a prepayment in the amount of $0.2 million, which was paid in January 2019.

Since October 2011, when New Idria was added to the Superfund National Priorities List by the EPA, the Company has recognized $5.9 million of costs, of which approximately $2.5 million has been paid to date. These costs are comprised primarily of negotiation of the AOC, identification of possible insurance resources and other PRPs, estimates to perform the RI/FS, EPA oversight fees, past cost claims made by the EPA, periodic monitoring, and responses to unilateral administrative orders issued by the EPA. Expenses of $0.2 million, $1.3 million, and $1.0 million were recorded in the years ended December 31, 2018, 2017, and 2016, respectively.

As of December 31, 2018, the Company has a total reserve of $3.4 million related to the New Idria Mine.

It is possible that adjustments to the aforementioned reserves will be necessary as new information is obtained, including after preparation and EPA approval of the work plan for the RI/FS, which is anticipated to occur in the first half of 2019. Estimates of the Company's liability are based on current facts, laws, regulations and technology. Estimates of the Company's environmental liabilities are further subject to uncertainties regarding the nature and extent of site contamination, the range of remediation alternatives available, evolving remediation standards, imprecise engineering evaluation and cost estimates, the extent of remedial actions that may be required, the extent of

oversight by the EPA, the number and financial condition of other PRPs that may be named as well as the extent of their responsibility for the remediation, and the availability of insurance coverage for these expenses.

At this time, we have not accrued for remediation costs in connection with this site as we are unable to estimate the liability, given the circumstances referred to above, including the fact that the final remediation strategy has not yet been determined.

New Almaden Mine (formerly referred to as Guadalupe River Watershed)

A number of parties, including the Company and its subsidiary, Buckhorn (as successor to NIMCC), were alleged by trustee agencies of the United States and the State of California to be responsible for natural resource damages due to environmental contamination of areas comprising the historical New Almaden mercury mines located in the Guadalupe River Watershed region in Santa Clara County, California ("County"). In 2005, Buckhorn and the Company, without admitting liability or chain of ownership of NIMCC, resolved the trustees' claim against them through a consent decree that required them to contribute financially to the implementation by the County of an environmentally beneficial project within the impacted area. Buckhorn and the Company negotiated an agreement with

the County, whereby Buckhorn and the Company agreed to reimburse one-half of the County's costs of implementing the project, originally estimated to be approximately $1.6 million. As a result, in 2005, the Company recognized expense of $0.8 million representing its share of the initial estimated project costs, of which approximately $0.5 million has been paid to date. In April 2016, the Company was notified by the County that the original cost estimate may no longer be appropriate due to expanded scope and increased costs of construction, and provided a revised estimate of between $3.3 million and $4.4 million. The Company completed a detailed review of the support provided by the County for their revised estimate, and as a result, recognized additional expense of $1.2 million in 2016. As of December 31, 2018, the Company has a total reserve of $1.5 million related to the New Almaden Mine.

The project has not yet been implemented though significant work on design and planning has been performed. The Company is currently awaiting notice from Santa Clara County on the expected timing of fieldwork to commence. As work on the project occurs, it is possible that adjustments to the aforementioned reserves will be necessary to reflect new information. In addition, the Company may have claims against and defenses to claims by the County under the 2005 agreement that could reduce or offset its obligation for reimbursement of some of these potential additional costs. With the assistance of environmental consultants, the Company will closely monitor this matter and will continue to assess its reserves as additional information becomes available.

Lawn and Garden Indemnification Claim

In connection with the sale of the Lawn and Garden business, as described in Note 5, the Company received Notices of Indemnification Claims in April 2015 and July 2016 (collectively, the "Claims"), alleging breaches of certain representations and warranties under the agreement resulting in alleged losses in the amount of approximately $10 million. As described in Note 5, approximately $8.6 million of the sale proceeds that were placed in escrow were due to be settled in August 2016; however, the release of these funds had been extended pending the resolution of the Claims, which were the subject of a lawsuit in the Delaware Chancery Court.

In April 2018, the Company reached agreement on the material terms of a settlement, and as a result, recorded a pre-tax charge of $1.225 million to discontinued operations in 2018. The settlement agreement was finalized in May 2018, and the settlement amount was funded from the escrow account. In addition, upon settlement and release of any further obligation on behalf of the Company, the remaining $7.4 million was released from escrow to the Company.

Patent Infringement

On December 11, 2018, No Spill Inc. filed suit against Scepter Manufacturing LLC and Scepter Corporation (collectively "Scepter") in the United States District Court for the District of Kansas asserting infringement of two patents, breach of contract, and trade dress claims in relation to plastic gasoline containers Scepter manufactures and sells in the United States. On December 31, 2018, the parties filed a waiver of service and extension of time to file a response to the complaint. The response to the complaint is due on March 28, 2019. A schedule in the case has not yet issued. Scepter intends to defend itself vigorously in this matter. Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of this matter, and is unable at this time to determine whether the outcome of the litigation will have a material impact on its results of operations, financial condition, or cash flows. Accordingly, the Company has not currently recorded any reserves for this matter.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is certain information concerning the executive officers of the Registrant as of December 31, 2018. Executive officers are appointed annually by the Board of Directors.

Name	Age	Title
R. David Banyard	50	President and Chief Executive Officer
Kevin L. Brackman	46	Executive Vice President and Chief Financial Officer
Andrean R. Horton	44	Executive Vice President, Chief Legal Officer and Secretary

Mr. Banyard, President and Chief Executive Officer, was appointed to his current position on December 7, 2015. Formerly, Mr. Banyard served as the Group President, Fluid Handling Technologies at Roper Technologies where he led a diverse portfolio of companies serving a wide array of end markets. Prior to that, Mr. Banyard was with Danaher Corporation, where he held successive leadership roles during his six year tenure culminating with his leadership of the Vehicle Systems business unit of Kollmorgen, based in Stockholm, Sweden.

Mr. Brackman, Executive Vice President and Chief Financial Officer, was appointed to his current position on December 11, 2018. Previously, he served as Vice President and Chief Accounting Officer since March 2, 2017 and prior to that served as Vice President, Corporate Controller, since joining the Company in March 2015; he also acted as Interim Chief Financial Officer and Corporate Secretary from March 18, 2016 until December 1, 2016. Prior to that, Mr. Brackman was with Ingersoll-Rand, where he held various finance leadership roles.

Ms. Horton, Executive Vice President, Chief Legal Officer and Secretary, was appointed to her current position on October 8, 2018. Previously, Ms. Horton was with A. Schulman, Inc., where she held various legal positions, including Executive Vice President, Chief Legal Officer and Secretary. Prior to that, Ms. Horton held various leadership roles, including Vice President, Legal & Regulatory Compliance, with YRC Worldwide, Inc. and General Counsel & Corporate Secretary, at The Bartech Group, Inc.

PART II

ITEM 5. Market for Registrant’s Common Stock and Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company’s common stock is traded on the New York Stock Exchange under the symbol MYE. The approximate number of shareholders of record at December 31, 2018 was 1,010. Dividends for the last two years were:

Quarter Ended	2018	2017
March 31	$0.135	$0.135
June 30	0.135	0.135
September 30	0.135	0.135
December 31	0.135	0.135

Purchases of equity securities by the issuer

The following table presents information regarding the Company’s stock repurchase plan during the three months ended December 31, 2018.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plans or Programs	Maximum number of Shares that may yet be Purchased Under the Plans or Programs (1)
10/1/18 to 10/31/18	—	$ —	5,547,665	2,452,335
11/1/18 to 11/30/18	—	—	5,547,665	2,452,335
12/1/18 to 12/31/18	—	—	5,547,665	2,452,335

(1) On July 11, 2013, the Board authorized the repurchase of up to an additional five million shares of the Company’s common stock. This authorization was in addition to the 2011 Board authorized repurchase of up to five million shares. The Company completed the repurchase of approximately 2.0 million shares in 2011 pursuant to Rule 10b5-1 plans, which were adopted pursuant to the 2011 authorized share repurchase.

See Item 12 of this Form 10-K for the Equity Compensation Plan Information Table which is incorporated herein by reference.

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Comparison of 5 Year Cumulative Total Return

Assumes Initial Investment of $100

December 31, 2018

The chart below compares the Company's cumulative total shareholder return for the five years ended December 31, 2018, to that of the Standard & Poor's 500 Index – Total Return and the Russell 2000 Index. In all cases, the information is presented on a dividend-reinvested basis and assumes investment of $100 on December 31, 2013.

	2013	2014	2015	2016	2017	2018
Myers Industries Inc.						
Annual Return %		(14.36)	(21.65)	11.74	40.72	(20.39)
Cum $	100.00	85.64	67.10	74.98	105.51	84.00
S&P 500 Index - Total Return						
Annual Return %		13.69	1.38	11.96	21.83	(4.38)
Cum $	100.00	113.69	115.26	129.05	157.22	150.33
Russell 2000 Index						
Annual Return %		4.89	(4.41)	21.31	14.65	(11.01)
Cum $	100.00	104.89	100.26	121.63	139.44	124.09

ITEM 6. Selected Financial Data
Thousands of Dollars, Except Per Share Data

	2018	2017	2016	2015	2014
Operations for the Year					
Net sales	$566,735	$547,043	$534,379	$571,020	$576,759
Cost of sales	387,442	389,590	372,481	395,158	419,575
Selling expenses	59,503	56,614	58,782	58,456	56,097
General and administrative expenses	79,832	78,889	73,797	82,333	73,938
(Gain) loss on disposal of fixed assets	(8)	(3,482)	628	556	(20)
Impairment charges	308	544	1,329	—	—
Other expenses	33,331	—	—	—	—
Loss on extinguishment of debt	—	1,888	—	—	—
Interest, net	4,938	7,292	8,643	9,009	8,570
Total costs and expenses	565,346	531,335	515,660	545,512	558,160
Income from continuing operations before income taxes	1,389	15,708	18,719	25,508	18,599
Income tax expense	3,037	4,864	7,395	8,037	5,680
Income (loss) from continuing operations	$(1,648)	$10,844	$11,324	$17,471	$12,919
Income (loss) from discontinued operations, net of tax	$(1,701)	$(20,733)	$(10,267)	$291	$(21,600)
Net income (loss)	$(3,349)	$(9,889)	$1,057	$17,762	$(8,681)
Net income (loss) per basic share from continuing operations	$(0.05)	$0.36	$0.38	$0.57	$0.40
Net income (loss) per diluted share from continuing operations	$(0.05)	$0.35	$0.38	$0.56	$0.40
Net income (loss) per basic share from discontinued operations	$(0.05)	$(0.69)	$(0.35)	$0.01	$(0.67)
Net income (loss) per diluted share from discontinued operations	$(0.05)	$(0.68)	$(0.35)	$0.01	$(0.67)
Net income (loss) per basic share	$(0.10)	$(0.33)	$0.03	$0.58	$(0.27)
Net income (loss) per diluted share	$(0.10)	$(0.33)	$0.03	$0.57	$(0.27)
Financial Position — At Year End					
Total assets[1]	$348,645	$355,942	$381,684	$429,024	$563,433
Current assets	182,855	150,012	141,151	154,541	285,441
Current liabilities	97,423	98,653	79,312	117,045	153,814
Working capital	85,432	51,359	61,839	37,496	131,627
Other assets[1]	95,060	122,026	134,267	151,982	154,365
Property, plant and equipment, net	65,460	83,904	106,266	122,501	123,627
Deferred income taxes[2]	5,270	—	—	—	—
Less:					

Long-term debt, less current portion[1]	76,790	151,036	189,522	191,881	235,029
Other long-term liabilities	19,794	8,236	9,452	13,543	15,851
Deferred income taxes[2]	—	4,265	10,365	8,852	12,168
Shareholders' Equity	154,638	93,752	93,033	97,703	146,571
Common Shares Outstanding	35,374,121	30,495,737	30,019,561	29,521,566	31,162,962
Book Value Per Common Share	$4.37	$3.07	$3.10	$3.31	$4.70
Other Data					
Dividends paid	$17,862	$16,341	$16,221	$16,675	$15,707
Dividends declared per Common Share	$0.54	$0.54	$0.54	$0.54	$0.52
Average Basic Common Shares Outstanding during the year	33,426,855	30,222,289	29,750,378	30,616,485	32,232,965

(1) Balances for 2014 and 2015 reflect the retrospective change to the balance sheet presentation of unamortized debt issuance costs in conjunction with the adoption of ASU 2015-03 in 2016. Under this guidance, unamortized debt issuance costs are to be presented as a reduction of the corresponding debt liability rather than a separate asset.

(2) Balances as of December 31, 2015 reflect the prospective change to the balance sheet presentation of deferred taxes in conjunction with the adoption of ASU 2015-17. Under this guidance, all deferred tax assets and liabilities are classified as long-term.

(3) Historical information has been adjusted to reflect discontinued operations presentation. See Note 5 to the consolidated financial statements.

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ITEM 7. Management's Discussion and Analysis of Results of Operations and Financial Condition
Executive Overview

The Company conducts its business activities in two distinct segments: The Material Handling Segment and the Distribution Segment. The Brazil Business, which was sold in December 2017, and the Lawn and Garden business, which was sold in February 2015, are classified as discontinued operations in all periods presented.

The Company designs, manufactures, and markets a variety of plastic and rubber products. Our Material Handling Segment manufactures products that range from plastic reusable material handling containers and small parts storage bins to plastic OEM parts, custom plastic products, consumer fuel containers, military water containers as well as ammunition packaging and shipping containers. Our Distribution Segment is engaged in the distribution of tools, equipment and supplies used for tire, wheel and under vehicle service on passenger, heavy truck and off-road vehicles, as well as the manufacturing of tire repair and retreading products.

Results of Operations: 2018 Compared with 2017

Net Sales:

(dollars in millions)	Year Ended December 31,			
Segment	2018	2017	Change	% Change
Material Handling	$417.2	$391.3	$ 25.9	7 %
Distribution	149.6	156.4	(6.8)	(4)%
Inter-company elimination	(0.1)	(0.7)	0.6	
Total net sales	$566.7	$547.0	$ 19.7	4 %

Net sales for the year ended December 31, 2018 were $566.7 million, an increase of $19.7 million or 4% compared to the prior year. Net sales were positively impacted by higher pricing of approximately $17.2 million and higher sales volume of $2.6 million, offset by the effect of unfavorable foreign currency translation of approximately $0.1 million.

Net sales in the Material Handling Segment increased $25.9 million or 7% for the year ended December 31, 2018 compared to the prior year. The increase in net sales was due to higher pricing of $14.6 million and higher sales volume of $11.4 million, driven primarily by demand in the food and beverage market, and offset by the effect of unfavorable foreign currency translation of $0.1 million.

Net sales in the Distribution Segment decreased $6.8 million or 4% in the year ended December 31, 2018 compared to the prior year primarily the result of lower sales volume of approximately $9.4 million offset by higher pricing of $2.6 million. A portion of this volume decline resulted from the strategic decision to exit a low margin product line with a customer in early 2017, as well as lower overall demand levels, particularly in the equipment category.

Cost of Sales & Gross Profit:

	Year Ended December 31,			
(dollars in millions)	2018	2017	Change	% Change
Cost of sales	$387.4	$389.6	$ (2.2)	(1)%
Gross profit	$179.3	$157.5	$ 21.8	14 %
Gross profit as a percentage of sales	31.6 %	28.8 %		

Gross profit margin increased to 31.6% for the year ended December 31, 2018 compared to 28.8% for the same period in 2017, primarily due to higher pricing of $17.2 million and cost savings realized in the current year as a result of the restructuring plan within the Material Handling Segment, as well as non-recurring restructuring costs of $7.5 million incurred in the prior year. This was partially offset by higher raw material costs and unfavorable mix within the higher sales volumes noted above.

Selling, General and Administrative Expenses:

	Year Ended December 31,			
(dollars in millions)	2018	2017	Change	% Change
SG&A expenses	$139.3	$135.5	$ 3.8	3 %
SG&A expenses as a percentage of sales	24.6 %	24.8 %		

Selling, general and administrative (“SG&A”) expenses for the year ended December 31, 2018 were $139.3 million, an increase of $3.8 million or 3% compared to the prior year. SG&A expenses in 2018 were primarily impacted by higher incentive compensation and other employee-related costs of $2.1 million, higher freight costs of $1.5 million, and higher legal and professional fees of $0.7 million. The current year expenses also include costs to engage outside resources to assist with the planning and assessment of transformation initiatives for the Distribution Segment of $1.4 million. These costs were partially offset by lower environmental costs of $1.1 million and non-recurring restructuring-related costs of $1.2 million incurred in the prior year.

Restructuring:

As discussed in Note 7 to the consolidated financial statements, the Company initiated a restructuring plan (the “Plan”) in the first quarter of 2017 to improve the Company’s organizational structure and operational efficiency within the Material Handling Segment. The Plan is completed. The Company has incurred a total of $0.1 million and $7.6 million of restructuring costs in connection with the Plan during the years ended December 31, 2018 and 2017, respectively. The Company also recorded $0.2 million and $3.9 million in net gains on asset dispositions in connection with the facility closures under the Plan during the years ended December 31, 2018 and 2017, respectively.

(Gain) Loss on Disposal of Fixed Assets:

The gains on disposal of fixed assets for the year ended December 31, 2017 were $3.5 million and were primarily due to asset dispositions in connection with the planned facility closures associated with the restructuring Plan within the Material Handling Segment.

Other Expenses:

During the year ended December 31, 2018, the Company recorded a provision for expected loss of $23.0 million as a result of the uncertainty regarding the ability to collect on the notes receivable and corresponding accrued interest from the sale of the Lawn and Garden business, as discussed in Note 5 to the consolidated financial statements. The Company also recorded a charge during 2018 of $10.3 million related to the Company’s estimate of its potential obligation under the lease guarantee on one of HC’s facilities, as discussed in Note 11 to the consolidated financial statements.

Net Interest Expense:

	Year Ended December 31,			
(dollars in millions)	2018	2017	Change	% Change
Net interest expense	$4.9	$7.3	$(2.4)	(33)%
Average outstanding borrowings, net	$107.1	$175.2	$(68.1)	(39)%
Weighted-average borrowing rate	5.75 %	4.94 %		

Net interest expense for the year ended December 31, 2018 was $4.9 million compared to $7.3 million during 2017. The decrease in net interest expense is due to a decrease in average outstanding borrowings during the year ended December 31, 2018 compared to the prior year.

Loss on Extinguishment of Debt:

During the year ended December 31, 2017, the Company recorded a loss on extinguishment of debt of approximately $1.9 million related to the purchase of a portion of the outstanding Senior Unsecured Notes in 2017, as discussed in Note 12 to the consolidated financial statements.

Income Taxes:

(dollars in millions)	Year Ended December 31, 2018	2017
Income from continuing operations before income taxes	$1.4	$15.7
Income tax expense	$3.0	$4.9
Effective tax rate	218.7%	31.0%

The effective tax rate was 218.7% for the year ended December 31, 2018 compared to 31.0% in the prior year. The unusually high rate in 2018 was the result of a lower tax rate on the $33.3 million of charges in Other Expenses than the rate on other pre-tax earnings. Additionally, the tax rate was impacted by non-deductible expense (primarily compensation related), additional tax expense of $0.6 million related to an uncertain tax position associated with the U.S. Tax Cuts and Jobs Act ("Tax Act"), and additional tax expense of $0.6 million associated with the unremitted earnings of certain foreign subsidiaries which are no longer deemed to be permanently reinvested.

In 2017, the U.S. enacted the Tax Act, which reduced the U.S. federal corporate income tax rate from 35% to 21%. As a result of the Tax Act, the Company recognized provisional net benefits of $1.2 million in 2017 to reflect certain changes in the tax law impacting the Company. The Company's accounting for the Tax Act was completed in the fourth quarter of 2018, and included a tax benefit of $0.3 million related to amounts previously accounted for as provisional. Refer to Note 13 in the consolidated financial statements.

Discontinued Operations:

Loss from discontinued operations, net of income taxes was $1.7 million for the year ended December 31, 2018 compared to loss of $20.7 million for the year ended December 31, 2017. In 2018, this result included a charge of $0.9 million, net of tax of $0.3 million, as a result of a settlement with the L&G Buyer related to the indemnification claims discussed in Note 11 to the consolidated financial statements.

In 2017, this result included a loss on sale of the Brazil Business of $35.0 million (pre-tax), offset primarily by a tax benefit of $15 million, which was generated as a result of a worthless stock deduction for the Brazil Business. As a result of the Company's U.S. Federal income tax filings in 2018, the Company reduced this estimated tax benefit by $0.7 million and recognized this adjustment within net loss from discontinued operations.

Results of Operations: 2017 Compared with 2016

Net Sales:

(dollars in millions)	Year Ended December 31,			
Segment	2017	2016	Change	% Change
Material Handling	$391.3	$363.9	$27.4	8 %
Distribution	156.4	170.7	(14.3)	(8)%

Inter-company elimination	(0.7)	(0.2)	(0.5)		
Total net sales	$547.0	$534.4	$12.6	2	%

Net sales for the year ended December 31, 2017 were $547.0 million, an increase of $12.6 million or 2% compared to the prior year. Net sales were positively impacted by higher sales volumes of approximately $4.0 million, higher pricing of $7.5 million and the effect of favorable foreign currency translation of approximately $1.1 million.

Net sales in the Material Handling Segment increased $27.4 million or 8% for the year ended December 31, 2017 compared to the prior year. The increase in net sales was due to higher sales volume of $19.9 million, mainly due to increased demand in the Company's consumer and food and beverage markets, higher pricing of $6.4 million, and the effect of favorable foreign currency translation of $1.1 million.

Net sales in the Distribution Segment decreased $14.3 million or 8% in the year ended December 31, 2017 compared to the prior year primarily due to lower volume. A significant portion of this volume decline resulted from a strategic decision to exit a low margin product line with a customer in early 2017, which contributed to overall gross margin improvement in this segment. The remainder of the decrease in volume was across all product lines and regions, including our export and international channels; however, the Company saw most of this decline early in 2017, as both demand and pricing improved throughout the second half of the year.

Cost of Sales & Gross Profit:

	Year Ended December 31,			
(dollars in millions)	2017	2016	Change	% Change
Cost of sales	$389.6	$372.5	$ 17.1	5 %
Gross profit	$157.5	$161.9	$ (4.4)	(3)%
Gross profit as a percentage of sales	28.8 %	30.3 %		

Gross profit margin decreased to 28.8% for the year ended December 31, 2017 compared to 30.3% for the same period in 2016, primarily due to higher raw material costs and operating inefficiencies, as well as restructuring and related costs of $7.5 million within the Material Handling Segment. These impacts were partially offset by higher pricing and a favorable sales mix.

Selling, General and Administrative Expenses:

	Year Ended December 31,			
(dollars in millions)	2017	2016	Change	% Change
SG&A expenses	$135.5	$132.6	$ 2.9	2 %
SG&A expenses as a percentage of sales	24.8 %	24.8 %		

SG&A expenses for the year ended December 31, 2017 were $135.5 million, an increase of $2.9 million or 2% compared to the prior year. SG&A expenses in 2017 were unfavorably impacted by higher legal and professional fees of $1.0 million, costs associated with the restructuring within the Material Handling Segment of $1.2 million, and the non-recurring reversal of a long-term liability of approximately $2.3 million recognized in 2016, partially offset by lower expenses related to the environmental contingencies of approximately $0.8 million, which is described in Note 11 to the consolidated financial statements.

Restructuring:

As further discussed in Note 7 to the consolidated financial statements, the Company initiated a restructuring plan (the "Plan") in the first quarter of 2017 to improve the Company's organizational structure and operational efficiency within the Material Handling Segment. The Company incurred a total of $7.6 million of restructuring costs in connection with the Plan during 2017. The Company also recorded $3.9 million in net gains on sales of assets in 2017, primarily related to the closure and sale of the Bluffton, Indiana facility and certain equipment. All actions under the Plan were substantially completed by the end of 2017.

(Gain) Loss on Disposal of Fixed Assets:

The gain on disposal of fixed assets for the year ended December 31, 2017 was $3.5 million compared to a loss of $0.6 million in the prior year. The gains in 2017 were primarily due to the sale of the Bluffton facility and certain equipment associated with the restructuring Plan within the Material Handling Segment, as discussed in Note 7 to the consolidated financial statements.

Impairment Charges:

During the year ended December 31, 2017, the Company recorded an impairment charge of $0.5 million related to a building classified as assets held for sale as discussed in Note 3 to the consolidated financial statements. The building was sold in December 2017.

The Company recorded $1.3 million of non-cash impairment charges, primarily related to long-lived assets associated with the exit of a non-strategic product line in the Material Handling Segment during the year ended December 31, 2016, as discussed in Note 3 to the consolidated financial statements.

Net Interest Expense:

(dollars in millions)	Year Ended December 31, 2017	2016	Change	% Change
Net interest expense	$7.3	$8.6	$(1.3)	(15)%
Average outstanding borrowings, net	$175.2	$212.1	$(36.9)	(17)%
Weighted-average borrowing rate	4.94 %	4.69 %		

Net interest expense for the year ended December 31, 2017 was $7.3 million compared to $8.6 million during 2016. The decrease in net interest expense is due to a decrease in average borrowings during the year ended December 31, 2017 compared to the prior year, partially offset by a slightly higher borrowing rate.

Loss on Extinguishment of Debt:

During the year ended December 31, 2017, the Company recorded a loss on extinguishment of debt of approximately $1.9 million related to the purchase of a portion of the outstanding Senior Unsecured Notes in 2017, as discussed in Note 12 to the consolidated financial statements.

Income Taxes:

(dollars in millions)	Year Ended December 31, 2017	2016
Income from continuing operations before taxes	$15.7	$18.7
Income tax expense	$4.9	$7.4
Effective tax rate	31.0%	39.5%

The effective tax rate was 31.0% for the year ended December 31, 2017 compared to 39.5% in the prior year. The 2017 effective tax rate is lower than our statutory rate and the effective tax rate for the same period in 2016, primarily due to the enactment of the Tax Act in December 2017, which reduces the U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result the Company revalued its U.S. deferred tax assets and liabilities to reflect the lower U.S. corporate rates, which resulted in a tax benefit of $3.0 million in 2017. This was partially offset by a $1.8 million provision for one-time transition tax expense under the Tax Act related to certain foreign earnings previously not taxed in the U.S.

Discontinued Operations:

Loss from discontinued operations, net of income taxes was $20.7 million for the year ended December 31, 2017 compared to loss of $10.3 million for the year ended December 31, 2016. In 2017, this result included a loss on sale of the Brazil Business of $35.0 million (pre-tax), offset primarily by a tax benefit of $15 million, which was generated as a result of a worthless stock deduction for the Brazil Business.

Financial Condition & Liquidity and Capital Resources

The Company's primary sources of liquidity are cash generated from its operating and financing activities. The cash flows from operating activities are driven primarily by its operating results and changes in its working capital requirements which is supplemented by the Company's utilization of its current credit facilities. In addition, the Company completed a public equity offering in the second quarter of 2018 that generated $79.5 million of net proceeds. The Company used a portion of the net proceeds received from the offering to repay a portion of its outstanding indebtedness during the second quarter of 2018 and intends to use the remaining proceeds to fund the growth of the business, including selective acquisitions, and for other general corporate purposes.

The Company believes that cash flows from operations and available borrowing under its Loan Agreement will be sufficient to meet expected business requirements including capital expenditures, dividends, working capital, debt service, and to fund future growth.

Operating Activities

Cash provided by operating activities from continuing operations was $60.4 million, $49.1 million and $34.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The increase in cash provided by continuing operations of $11.3 million during the year ended December 31, 2018 compared to 2017 was driven by improvements in income from continuing operations, after considering the non-cash charges of $33.3 million related to the HC matters described in Note 5 and Note 11 to the consolidated financial statements, partially offset by changes in working capital of $3.5 million driven by higher volume in 2018.

The increase in cash provided by continuing operations of $15.1 million during the year ended December 31, 2017 compared to 2016 was mainly due to an increase in cash provided by working capital of $23.4 million, which was driven by a significant increase in accounts payable in 2017. This increase in accounts payable occurred primarily in the Material Handling Segment as a result of higher demand near year-end, as well as strategic initiatives from the 2017 restructuring Plan. These initiatives included outsourcing production of certain product lines after the closure of the Bluffton facility, which results in increased payables to these strategic partners. Income from continuing operations was $10.8 million for the year ended December 31, 2017 compared to $11.3 million for the same period in 2016. Income from continuing operations in 2017 includes gains on sale of assets of $3.5 million and non-cash deferred tax benefits of $5.7 million.

Investing Activities

Capital expenditures were $5.1 million, $5.8 million and $12.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. Higher capital spending in 2016 compared to 2018 and 2017 was due to additional investments that were made for new manufacturing focused on growth and productivity improvements in addition to higher spending at Scepter. The Company received proceeds of $2.6 million in 2018 from the sale of fixed assets, a significant portion of which was derived from the sale and leaseback of the distribution center in Pomona, California. The Company received proceeds of $11.1 million in 2017 from the sale of fixed assets, which were primarily due to asset dispositions in connection with the planned facility closures associated with the restructuring Plan with the Material Handling Segment. The Company paid a final working capital adjustment to the buyer of the Lawn and Garden business of approximately $4.0 million in the first quarter of 2016 as described in Note 5 to the consolidated financial statements.

Financing Activities

The Company received net proceeds of $79.5 million from the public offering of common stock in the current year. Net repayments on the credit facility were $74.6 million for the year ended December 31, 2018 compared to net repayments of $16.5 million for the year ended December 31, 2017. The Company used cash of $23.8 million to purchase a portion of the outstanding Senior Unsecured Notes in 2017, as discussed in Note 12 to the consolidated financial statements. The Company used cash to pay dividends of $17.9 million, $16.3 million and $16.2 million for the years 2018, 2017 and 2016, respectively.

Credit Sources

In March 2017, the Company entered into a Fifth Amended and Restated Loan Agreement (the “Loan Agreement”). The Loan Agreement replaced the pre-existing $300 million senior revolving credit facility with a $200 million facility and extended the term from December 2018 to March 2022. Borrowings under the Loan Agreement bear interest at the LIBOR rate, prime rate, federal funds effective rate, the Canadian deposit offered rate, or the eurocurrency reference rate depending on the type of loan requested by the Company, in each case plus the applicable margin as set forth in the Loan Agreement.

The Company also has outstanding Senior Unsecured Notes totaling $78 million with a group of investors pursuant to a note purchase agreement. The series of four notes range in face value from $11 million to $40 million, with interest rates ranging from 4.67% to 5.45%, payable semiannually, and maturing between 2021 and 2026.

Total debt outstanding at December 31, 2018 was $76.8 million, net of deferred financing costs of $1.2 million, compared with $151.0 million at December 31, 2017. The Company’s Loan Agreement provides available borrowing up to $200 million, reduced for letters of credit issued. As of December 31, 2018, there was $195.6 million available under our Loan Agreement. As of December 31, 2018, the Company had $4.4 million of letters of credit issued related

to insurance and other financing contracts in the ordinary course of business. In addition, as described in Note 11, the Company issued an additional letter of credit of $2 million in January 2019.

As of December 31, 2018, the Company was in compliance with all its debt covenants. The most restrictive financial covenants for all of the Company's debt are an interest coverage ratio (defined as earnings before interest, taxes, depreciation and amortization, as adjusted, divided by interest expense) and a leverage ratio (defined as total debt divided by earnings before interest, taxes, depreciation and amortization, as adjusted). The ratios as of and for the period ended December 31, 2018 are shown in the following table:

	Required Level	Actual Level
Interest Coverage Ratio	3.00 to 1 (minimum)	11.60
Leverage Ratio	3.25 to 1 (maximum)	1.15

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Contractual Obligations

The following summarizes the Company's estimated future cash outflows from financial contracts and commitments reflecting our current debt structure:

	Less than 1 Year	2-3 Years	4-5 Years	Thereafter	Total
	(Amounts in Thousands)				
Principal payments on debt	$—	$40,000	$—	$ 38,000	$78,000
Interest	3,895	5,999	4,053	1,392	15,339
Lease payments	2,492	2,721	1,807	811	7,831
Retirement obligations and other benefits	476	812	662	973	2,923
Total	$6,863	$49,532	$6,522	$ 41,176	$104,093

Uncertain tax position liabilities are also excluded from the contractual obligations table because a reasonably reliable estimate of the period of cash settlement with the respective tax authority cannot be made.

Critical Accounting Policies

The discussion and analysis of the Company's financial condition and results of operations are based on the accompanying consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). As indicated in the Summary of Significant Accounting Policies included in the Notes to Consolidated Financial Statements (included in Item 8 of this report), the amount of assets, liabilities, revenue and expenses reported are affected by estimates and judgments that are necessary to comply with U.S. GAAP. The Company bases its estimates on prior experience and other assumptions that they consider reasonable to their circumstances. The Company believes the following matters may involve a high degree of judgment and complexity.

Inventory — Inventories are valued at the lower of cost or market for last-in, first-out ("LIFO") inventory and lower of cost or net realizable value for first-in, first-out ("FIFO") inventory. Cost is determined by the LIFO method for approximately 30 percent of the Company's inventories and the FIFO method for all other inventories. Where appropriate, standard cost systems are utilized and appropriate variances are evaluated for purposes of determining cost; the standards are adjusted as necessary to ensure they approximate actual costs. Estimates of lower of cost or net realizable value of inventory are determined based upon current economic conditions, historical sales quantities and patterns and, in some cases, the specific risk of loss on specifically identified inventories.

Goodwill — Goodwill is subject to annual impairment testing, unless significant changes in circumstances indicate a potential impairment may have occurred sooner. The Company conducts its annual impairment assessment as of October 1. Such assessment can be done on a qualitative or quantitative basis. When conducting a qualitative assessment, the Company considers relevant events and circumstances that affect the fair value or carrying amount of the reporting unit. A quantitative test is required only if the Company concludes that it is more likely than not (defined as a likelihood of more than 50%) that a reporting unit's fair value is less than its carrying amount. If under the quantitative assessment the fair value of a reporting unit is less than its carrying amount, then the amount of the impairment loss, if any, must be recorded.

At October 1, 2018, after considering changes to assumptions used in the most recent quantitative annual testing for each reporting unit, including macroeconomic conditions, industry and market considerations, overall financial performance, the magnitude of the excess of fair value over the carrying amount of each reporting unit as determined in the most recent quantitative annual testing, and other factors, management concluded that it was not more likely than not that the fair values of the reporting units were less than their respective carrying values and, therefore, did not perform a quantitative analysis.

Contingencies — In the ordinary course of business, the Company is involved in various legal proceedings and contingencies. The Company has recorded liabilities for these matters in accordance with FASB ASC 450, Contingencies ("ASC 450"). ASC 450 requires a liability to be recorded based on our estimate of the probable cost of the resolution of a contingency. When management believes that a loss arising from these matters is probable and can reasonably be estimated, they record the amount of the estimated loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable of occurrence than another. As additional information becomes available, any potential liability related to these matters will be assessed and the estimates will be revised, if necessary. The actual resolution of these contingencies may differ from our estimates. If a contingency were settled for an amount greater than our estimate, a future charge to income would result. Likewise, if a contingency were settled for an amount that is less than our estimate, a future credit to income would result.

Revenue Recognition — Revenue is recognized when obligations under the terms of a contract with customers are satisfied. In both the Distribution and Material Handling segments, this generally occurs with the transfer of control of the Company's products. This transfer of control may occur at either the time of shipment from a Company facility, or at the time of delivery to a designated customer location. Obligations under contracts with customers are typically fulfilled within 90 days of receiving a purchase order from a customer, and generally no other future obligations are required to be performed. The Company does not enter into any long-term contracts with customers greater than one year. Based on the nature of the Company's products and customer contracts, the Company has not recorded any deferred revenue, with the exception of cash advances or deposits received from customers prior to transfer of control of the product. These advances are typically fulfilled within the 90 day time frame mentioned above.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the products. Certain contracts with customers include variable consideration, such as rebates or discounts. The Company recognizes estimates of this variable consideration each period, primarily based on the most likely level of consideration to be paid to the customer under the specific terms of the underlying programs. While the Company's contracts with customers do not generally include explicit rights to return product, the Company will in practice allow returns in the normal course of business and as part of the customer relationship. Thus, the Company estimates the expected returns each period based on an analysis of historical experience. For certain businesses where physical recovery of the product from returns occurs, the Company records an estimated right to return asset from such recovery, based on the approximate cost of the product.

Income Taxes — Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the change is enacted.

ASC 740, Income Taxes ("ASC 740") requires that deferred tax assets be reduced by a valuation allowance, if based on all available evidence, it is more likely than not that the deferred tax asset will not be realized. The Company evaluates the recovery of its deferred tax assets by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates.

Significant judgement is required in determining the Company's tax expense and in evaluating its tax positions, including evaluating uncertainties under ASC 740. ASC 740 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized under ASC 740. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonable to have, a current or future effect on financial condition, changes in financial condition, revenues of operations, liquidity, capital expenditures or capital resources that are material.

Recent Accounting Pronouncements

Information regarding the recent accounting pronouncements is contained in the Summary of Significant Accounting Policies footnote of the Notes to Consolidated Financial Statements under Item 8 of this report.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk
Market Risk and Derivative Financial Instruments

Interest Rate Risk

The Company has certain financing arrangements that require interest payments based on floating interest rates. The Company's financial results are subject to changes in the market rate of interest. At present, the Company has not entered into any interest rate swaps or other derivative instruments to fix the interest rate on any portion of its financing arrangements with floating rates. As of December 31, 2018, the Company has no borrowings outstanding under its floating rate debt.

Foreign Currency Exchange Risk

Some of the Company's subsidiaries operate in foreign countries and their financial results are subject to exchange rate movements. The Company has operations in Canada with foreign currency exposure, primarily due to sales made from businesses in Canada to customers in the United States ("U.S."). These sales are denominated in U.S. dollars. The Company has a systematic program to limit its exposure to fluctuations in exchange rates related to certain assets and liabilities of its operations in Canada that are denominated in U.S. dollars. The net exposure generally ranges from $1 million to $3 million. The foreign currency contracts and arrangements created under this program are not designated as hedged items under Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 815, Derivatives and Hedging, and accordingly, the changes in the fair value of the foreign currency arrangements, which have been immaterial, are recorded in the income statement. The Company's foreign currency arrangements are typically three months or less and are settled before the end of a reporting period. At December 31, 2018, the Company had no foreign currency arrangements or contracts in place.

Commodity Price Risk

The Company uses certain commodities, primarily plastic resins and natural rubber, in its manufacturing processes. The cost of operations can be affected as the market for these commodities changes. The Company currently has no derivative contracts to hedge this risk; however, the Company also has no significant obligations to purchase fixed quantities of such commodities in future periods. Significant future increases in the cost of these commodities or other adverse changes in the general economic environment could have a material adverse impact on the Company's financial position, results of operations or cash flows.

ITEM 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Myers Industries, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Myers Industries, Inc. and Subsidiaries (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 8, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2011.

Akron, Ohio

March 8, 2019

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MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

For the Years Ended December 31, 2018, 2017, and 2016

(Dollars in thousands, except per share data)

	For the Year Ended December 31,		
	2018	2017	2016
Net sales	$566,735	$547,043	$534,379
Cost of sales	387,442	389,590	372,481
Gross profit	179,293	157,453	161,898
Selling expenses	59,503	56,614	58,782
General and administrative expenses	79,832	78,889	73,797
	139,335	135,503	132,579
(Gain) loss on disposal of fixed assets	(8)	(3,482)	628
Impairment charges	308	544	1,329
Other expenses	33,331	—	—
Operating income	6,327	24,888	27,362
Interest			
Income	(1,221)	(1,361)	(1,262)
Expense	6,159	8,653	9,905
Interest expense, net	4,938	7,292	8,643
Loss on extinguishment of debt	—	1,888	—
Income from continuing operations before income taxes	1,389	15,708	18,719
Income tax expense	3,037	4,864	7,395
Income (loss) from continuing operations	(1,648)	10,844	11,324
Income (loss) from discontinued operations, net of income tax	(1,701)	(20,733)	(10,267)
Net income (loss)	$(3,349)	$(9,889)	$1,057
Income (loss) per common share from continuing operations:			
Basic	$(0.05)	$0.36	$0.38
Diluted	$(0.05)	$0.35	$0.38
Income (loss) per common share from discontinued operations:			
Basic	$(0.05)	$(0.69)	$(0.35)
Diluted	$(0.05)	$(0.68)	$(0.35)
Net income (loss) per common share:			
Basic	$(0.10)	$(0.33)	$0.03
Diluted	$(0.10)	$(0.33)	$0.03
Dividends declared per share	$0.54	$0.54	$0.54

The accompanying notes are an integral part of these statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the Years Ended December 31, 2018, 2017, and 2016

(Dollars in thousands)

	For the Year Ended December 31,		
	2018	2017	2016
Net income (loss)	$(3,349)	$(9,889)	$1,057
Other comprehensive income (loss)			
Adoption of ASU 2018-02	(315)	—	—
Foreign currency translation adjustment	(3,501)	2,391	5,105
Reclassification adjustment for foreign currency translation included in net income (loss)	—	17,201	—
Pension liability, net of tax expense (benefit) of $25 in 2018, $14 in 2017, and ($95) in 2016	77	41	(169)
Total other comprehensive income (loss)	(3,739)	19,633	4,936
Comprehensive income (loss)	$(7,088)	$9,744	$5,993

The accompanying notes are an integral part of these statements.

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MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2018 and 2017

(Dollars in thousands)

	December 31, 2018	December 31, 2017
Assets		
Current Assets		
Cash	$ 58,894	$ 2,520
Restricted cash	—	8,659
Accounts receivable, less allowances of $2,259 and $1,777, respectively	72,939	76,650
Income tax receivable	4,892	12,954
Inventories, net	43,596	47,025
Prepaid expenses and other current assets	2,534	2,204
Total Current Assets	182,855	150,012
Other Assets		
Property, plant, and equipment, net	65,460	83,904
Goodwill	59,068	59,971
Intangible assets, net	30,280	39,049
Deferred income taxes	5,270	120
Notes receivable	—	18,737
Other	5,712	4,149
Total Assets	$ 348,645	$ 355,942
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 60,849	$ 63,581
Accrued expenses		
Employee compensation	16,531	15,544
Taxes, other than income taxes	1,403	1,664
Accrued interest	1,939	2,392
Other current liabilities	16,701	15,472
Total Current Liabilities	97,423	98,653
Long-term debt	76,790	151,036
Other liabilities	19,794	8,236
Deferred income taxes	—	4,265
Shareholders' Equity		
Serial Preferred Shares (authorized 1,000,000 shares; none issued and outstanding)	—	—
Common Shares, without par value (authorized 60,000,000 shares; outstanding 35,374,121 and 30,495,737; net of treasury shares of 7,178,336 and 7,456,720, respectively)	21,547	18,547

Additional paid-in capital	292,558	209,253
Accumulated other comprehensive loss	(18,280)	(14,541)
Retained deficit	(141,187)	(119,507)
Total Shareholders’ Equity	154,638	93,752
Total Liabilities and Shareholders’ Equity	$ 348,645	$ 355,942

The accompanying notes are an integral part of these statements.

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MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

For the Years Ended December 31, 2018, 2017 and 2016

(Dollars in thousands, except per share data)

	Common Shares		Additional	Accumulated Other	Retained	Total
	Number	Amount	Paid-In Capital	Comprehensive Income (Loss)	Deficit	Shareholders' Equity
Balance at January 1, 2016	29,521,566	$17,895	$196,743	$ (39,110)	$(77,825)	$ 97,703
Net income	—	—	—	—	1,057	1,057
Issuances under option plans	374,958	205	3,030	—	—	3,235
Dividend reinvestment plan	10,520	6	133	—	—	139
Restricted stock vested	169,929	104	(104)	—	—	—
Stock compensation expense	—	24	3,333	—	—	3,357
Tax benefit from options	—	—	64	—	—	64
Foreign currency translation adjustment	—	—	—	5,105	—	5,105
Shares withheld for employee taxes on equity awards	(57,412)	—	(1,166)	—	—	(1,166)
Declared dividends - $0.54 per share	—	—	—	—	(16,292)	(16,292)
Pension liability, net of tax of $95	—	—	—	(169)	—	(169)
Balance at December 31, 2016	30,019,561	18,234	202,033	(34,174)	(93,060)	93,033
Net loss	—	—	—	—	(9,889)	(9,889)
Issuances under option plans	375,292	229	4,167	—	—	4,396
Dividend reinvestment plan	7,625	5	126	—	—	131
Restricted stock vested	130,036	79	(79)	—	—	—
Stock compensation expense	—	—	3,626	—	—	3,626
Foreign currency translation adjustment	—	—	—	2,391	—	2,391
Shares withheld for employee taxes on equity awards	(36,777)	—	(620)	—	—	(620)
Declared dividends - $0.54 per share	—	—	—	—	(16,558)	(16,558)
Pension liability, net of tax of $14	—	—	—	41	—	41
Reclassification adjustment for foreign	—	—	—	17,201	—	17,201

currency translation included in net loss						
Balance at December 31, 2017	30,495,737	18,547	209,253	(14,541)	(119,507)	93,752
Net loss	—	—	—	—	(3,349)	(3,349)
Adoption of ASU 2018-02	—	—	—	(315)	315	—
Issuances under option plans	191,169	117	2,618	—	—	2,735
Dividend reinvestment plan	5,712	4	114	—	—	118
Restricted stock vested	120,142	73	(73)	—	—	—
Stock compensation expense	—	—	4,644	—	—	4,644
Foreign currency translation adjustment	—	—	—	(3,501)	—	(3,501)
Shares withheld for employee taxes on equity awards	(38,639)	—	(714)	—	—	(714)
Declared dividends - $0.54 per share	—	—	—	—	(18,646)	(18,646)
Pension liability, net of tax of $25	—	—	—	77	—	77
Shares issued in public offering, net of equity issuance costs	4,600,000	2,806	76,716	—	—	79,522
Balance at December 31, 2018	35,374,121	$21,547	$292,558	$ (18,280)	$(141,187)	$ 154,638

The accompanying notes are an integral part of these statements.

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MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2018, 2017 and 2016

(Dollars in thousands)

	For the Year Ended December 31,		
	2018	2017	2016
Cash Flows From Operating Activities			
Net income (loss)	$(3,349)	$(9,889)	$1,057
Income (loss) from discontinued operations, net of income taxes	(1,701)	(20,733)	(10,267)
Income (loss) from continuing operations	(1,648)	10,844	11,324
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used for) operating activities			
Depreciation	17,638	19,952	22,049
Amortization	8,485	8,886	9,743
Accelerated depreciation associated with restructuring activities	16	1,993	—
Non-cash stock-based compensation expense	4,257	3,626	3,357
(Gain) loss on disposal of fixed assets	(8)	(3,482)	628
Provision for loss on note receivable	23,008	—	—
Lease guarantee contingency	10,323	—	—
Loss on extinguishment of debt	—	1,888	—
Deferred taxes	(9,450)	(5,663)	555
Interest income received (accrued) on note receivable	(361)	(1,384)	(1,276)
Impairment charges	308	544	1,329
Other	457	256	155
Payments on performance based compensation	(1,249)	(1,010)	(1,794)
Other long-term liabilities	180	723	(592)
Cash flows provided by (used for) working capital			
Accounts receivable	4,927	(6,709)	6,427
Inventories	3,151	(1,876)	8,603
Prepaid expenses and other current assets	(353)	2,209	1,047
Accounts payable and accrued expenses	713	18,299	(27,594)
Net cash provided by (used for) operating activities - continuing operations	60,394	49,096	33,961
Net cash provided by (used for) operating activities - discontinued operations	858	(4,633)	(232)
Net cash provided by (used for) operating activities	61,252	44,463	33,729
Cash Flows From Investing Activities			
Capital expenditures	(5,123)	(5,814)	(12,489)
Proceeds from sale of property, plant and equipment	2,633	11,058	450
Proceeds (payments) related to sale of business	—	—	(4,034)
Net cash provided by (used for) investing activities - continuing operations	(2,490)	5,244	(16,073)
Net cash provided by (used for) investing activities - discontinued operations	—	(1,107)	(16)

Net cash provided by (used for) investing activities	(2,490)	4,137	(16,089)
Cash Flows From Financing Activities			
Net borrowings (repayments) on credit facility	(74,557)	(16,474)	(3,804)
Repayments of senior unsecured notes	—	(23,798)	—
Cash dividends paid	(17,862)	(16,341)	(16,221)
Proceeds from issuance of common stock	2,853	4,527	3,374
Excess tax benefit from stock-based compensation	—	—	64
Proceeds from public offering of common stock, net of equity issuance costs	79,522	—	—
Shares withheld for employee taxes on equity awards	(714)	(620)	(1,166)
Deferred financing costs	—	(1,030)	—
Net cash provided by (used for) financing activities - continuing operations	(10,758)	(53,736)	(17,753)
Net cash provided by (used for) financing activities - discontinued operations	—	—	—
Net cash provided by (used for) financing activities	(10,758)	(53,736)	(17,753)
Foreign exchange rate effect on cash	(289)	(208)	665
Less: Net increase (decrease) in cash classified within discontinued operations	—	(5,484)	493
Net increase in cash and restricted cash	47,715	140	59
Cash and restricted cash at January 1	11,179	11,039	10,980
Cash and restricted cash at December 31	$58,894	$11,179	$11,039
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for			
Interest	$6,236	$8,913	$8,917
Income taxes	$5,539	$5,651	$8,136

The accompanying notes are an integral part of these statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Dollars in thousands, except where otherwise indicated)

1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Myers Industries, Inc. and all wholly owned subsidiaries (collectively, the "Company"). All intercompany accounts and transactions have been eliminated in consolidation. All subsidiaries that are not wholly owned and are not included in the consolidated operating results of the Company are immaterial investments which have been accounted for under the equity or cost method. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the timing and amount of assets, liabilities, equity, revenues, and expenses recorded and disclosed. Actual results could differ from those estimates.

During the fourth quarter of 2017, the Company completed the sale of certain subsidiaries in Brazil. As further discussed in Note 5, the results of operations and cash flows of these subsidiaries have been classified as discontinued operations in the consolidated financial statements for all periods presented.

Accounting Standards Adopted

In March 2018, the FASB issued ASU 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118, which allowed SEC registrants to record provisional amounts in earnings for the year ended December 31, 2017 due to the complexities involved in accounting for the enactment of the Tax Cuts and Jobs Act. The Company recognized the estimated income tax effects of the Tax Cuts and Jobs Act in its 2017 consolidated financial statements in accordance with SEC Staff Accounting Bulletin No. 118. The Company finalized its accounting in 2018. Refer to Note 13 for further information regarding the provisional amounts recorded by the Company.

In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220). This ASU allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The new standard also requires certain disclosures about stranded tax effects. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The ASU should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act of 2017 (as further discussed in Note 13) is recognized. The Company early adopted this standard effective January 1, 2018 and as a result of adopting this standard, $0.3 million of stranded tax effects were reclassified from accumulated other comprehensive income to retained earnings in the first quarter of 2018.

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits (Topic 715) – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU requires that an employer report the service cost component in the same line item(s) as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from

operations, if one is presented. The ASU also allows only the service cost component to be eligible for capitalization when applicable. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The ASU should be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The Company adopted this standard effective January 1, 2018 and the adoption did not have a material impact on its consolidated financial statements as the pension plan is frozen.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash. This ASU requires that companies include amounts generally described as restricted cash and restricted cash equivalents, along with cash and cash equivalents, when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The ASU should be applied using a retrospective transition method to each period presented and is effective for annual reporting periods beginning after December 15, 2017 and interim periods within those annual periods. The Company adopted this standard effective January 1, 2018. At adoption, the inclusion of restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts presented on the consolidated statements of cash flows did not have a material impact on the Company’s net cash flows in prior years.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

In October 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (Topic 740). This ASU requires immediate recognition of the income tax consequences of intercompany asset transfers other than inventory. The ASU is effective for annual reporting periods beginning after December 15, 2017 and interim periods within those annual periods. The Company adopted this standard effective January 1, 2018, and the adoption of this standard did not have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. Under ASU 2014-09, an entity recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. Additional disclosures are also required to help users of financial statements understand the nature, amount, and timing of revenue and cash flows arising from contracts. The Company adopted the new guidance effective January 1, 2018 using the modified retrospective approach and applied the new guidance to all open contracts at the date of adoption. Adoption of the new standard resulted in changes to the Company’s accounting policy and disclosures related to revenue recognition (refer to Note 2). The impact of adopting this standard on the Company’s consolidated financial statements was not material, and there was no cumulative transition adjustment required.

Accounting Standards Not Yet Adopted

In August 2018, the FASB issued ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40). This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted and this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20). This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU is effective for annual periods ending after December 15, 2020, with early adoption permitted and should be applied on a retrospective basis to all periods presented. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. This ASU modifies the disclosure requirements on fair value measurements by removing, modifying, or adding certain disclosures. This guidance is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted. Certain disclosures in this ASU are required to be applied on a retrospective basis and others on a prospective basis. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment. This ASU eliminates Step 2 of the goodwill impairment test and requires goodwill impairment to be measured as the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of its goodwill. The ASU is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The guidance allows for early adoption for impairment testing dates after January 1, 2017. While the Company has elected not to early adopt this guidance and will continue to evaluate the timing of adoption, it does not believe that the adoption of this guidance will have a material impact on its consolidated financial statements unless a goodwill impairment were to occur.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments, which introduces new guidance for the accounting for credit losses on instruments. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. This ASU is effective for fiscal years beginning after December 15, 2019 including interim periods within that reporting period, with early adoption permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under ASU 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet, and disclose key information about the amount, timing and uncertainty of cash flows arising from leasing arrangements. The new standard is effective for the Company beginning January 1, 2019, and must be adopted using either the modified retrospective approach, which requires application of the new guidance at the beginning of the earliest comparative period presented or the optional transition approach, which requires application of the new guidance at the standard's effective date. The Company will adopt the new guidance effective January 1, 2019 using the optional transition method. The Company is substantially complete with its implementation of the new standard, which included designing and implementing changes to processes, controls and systems, where necessary, to address the requirements of the new standard. Upon adoption, the Company expects to recognize right-of-use assets and lease liabilities in the range of $5.7 million to $6.7 million for substantially all of its operating leases. The remaining undiscounted minimum lease commitments as of December 31, 2018 are summarized in Note 15, Leases. It is not expected that the adoption of this standard will have a material impact on the consolidated results of operations or cash flows. The Company will also record a cumulative-effect adjustment to retained earnings upon adoption to recognize the remaining deferred gain on the sale-leaseback transaction that occurred prior to the date of initial application. Additionally, the standard requires new disclosures related to leases, which the Company is in the process of finalizing.

Translation of Foreign Currencies

All asset and liability accounts of consolidated foreign subsidiaries are translated at the current exchange rate as of the end of the accounting period and income statement items are translated monthly at an average currency exchange rate for the period. The resulting translation adjustment is recorded in other comprehensive income (loss) as a separate component of shareholders' equity.

Fair Value Measurement

The Company follows guidance included in Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, for its financial assets and liabilities, as required. The guidance established a common definition for fair value to be applied under U.S. GAAP requiring the use of fair value, established a framework for measuring fair value, and expanded disclosure requirements about such fair value measurements. The guidance did not require any new fair value measurements, but rather applied to all other accounting pronouncements that require or permit fair value measurements. Under ASC 820, the hierarchy that prioritizes the inputs to valuation techniques used to measure fair value is divided into three levels:

Level 1:	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2:	Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical similar assets or liabilities in markets that are not active or inputs that are observable either directly or indirectly.
Level 3:	Unobservable inputs for which there is little or no market data or which reflect the entity's own assumptions.

Financial assets that are measured at net asset value, which is a practical expedient to estimating fair value, are not classified in the fair value hierarchy.

The Company has financial instruments, including cash, accounts receivable, accounts payable and accrued expenses. The fair value of these financial instruments approximate carrying value due to the nature and relative short maturity of these assets and liabilities.

The fair value of debt under the Company’s Loan Agreement, as defined in Note 12, approximates carrying value due to the floating rates and relative short maturity (less than 90 days) of the revolving borrowings under this agreement. The fair value of the Company’s fixed rate senior unsecured notes was estimated using market observable inputs for the Company’s comparable peers with public debt, including quoted prices in active markets and interest rate measurements which are considered Level 2 inputs. At December 31, 2018 and 2017, the aggregate fair value of the Company’s outstanding fixed rate senior unsecured notes was estimated at $76.8 million and $78.0 million, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk primarily consist of trade accounts receivable. The concentration of accounts receivable credit risk is generally limited based on the Company’s diversified operations, with customers spread across many industries and countries. In 2018, there were no customers that accounted for more than ten percent of net sales. Outside of the United States, only customers located in Canada, which account for approximately 4.1% of net sales, are significant to the Company’s operations. In addition, management has established certain requirements that customers must

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

meet before credit is extended. The financial condition of customers is continually monitored and collateral is usually not required. The Company evaluates the collectability of accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific allowance for doubtful accounts is recorded against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. Additionally, the Company also reviews historical trends for collectability in determining an estimate for its allowance for doubtful accounts. If economic circumstances change substantially, estimates of the recoverability of amounts due the Company could be reduced by a material amount. Expense related to bad debts was approximately $0.7 million, $0.7 million and $0.8 million for 2018, 2017 and 2016, respectively, and is recorded within selling expenses in the Consolidated Statements of Operations. Deductions from the allowance for doubtful accounts, net of recoveries, were approximately $0.5 million, $0.7 million and $0.4 million for 2018, 2017 and 2016, respectively.

Inventories

Inventories are valued at the lower of cost or market for last-in, first-out ("LIFO") inventory and lower of cost or net realizable value for first-in, first-out ("FIFO") inventory. Approximately 30 percent of our inventories are valued using the LIFO method of determining cost. All other inventories are valued at the FIFO method of determining cost.

Inventories at December 31 consist of the following:

	December 31, 2018	December 31, 2017
Finished and in-process products	$ 27,960	$ 30,874
Raw materials and supplies	15,636	16,151
	$ 43,596	$ 47,025

If the FIFO method of inventory cost valuation had been used exclusively by the Company, inventories would have been $5.1 million and $5.6 million higher than reported at December 31, 2018 and 2017, respectively. Cost of sales decreased by $0.5 million and $0.1 million in 2018 and 2017, respectively, as a result of the liquidation of LIFO inventories. Cost of sales increased by $0.1 million in 2016 as a result of the liquidation of LIFO inventories.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization on the basis of the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 to 40 years
Machinery and Equipment	3 to 10 years
Leasehold Improvements	5 to 10 years

The Company’s property, plant and equipment by major asset class at December 31 consists of:

	December 31, 2018	December 31, 2017
Land	$ 7,017	$ 7,815
Buildings and leasehold improvements	53,821	59,730
Machinery and equipment	253,785	260,880
	314,623	328,425
Less allowances for depreciation and amortization	(249,163)	(244,521)
	$ 65,460	$ 83,904

At December 31, 2018 and 2017, the Company had approximately $6.8 million and $6.9 million, respectively, of capitalized software costs included in machinery and equipment. Amortization expense related to capitalized software costs was approximately $0.5 million, $1.0 million and $0.6 million in 2018, 2017 and 2016, respectively.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

Long-Lived Assets

The Company reviews its long-lived assets and identifiable intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Determination of potential impairment related to assets to be held and used is based upon undiscounted future cash flows resulting from the use and ultimate disposition of the asset and related asset group. For assets held for sale, the amount of potential impairment may be based upon appraisal of the asset, estimated market value of similar assets or estimated cash flow from the disposition of the asset. Refer to Note 3 for discussion of the impairment charges.

Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) were as follows:

	Foreign Currency	Defined Benefit Pension Plans	Total
Balance at January 1, 2016	$(37,447)	$(1,663)	$(39,110)
Other comprehensive income (loss) before reclassifications	5,105	(222)	4,883
Amounts reclassified from accumulated other comprehensive income, net of tax of ($30) [(1)]	—	53	53
Net current-period other comprehensive income (loss)	5,105	(169)	4,936
Balance at December 31, 2016	(32,342)	(1,832)	(34,174)
Other comprehensive income (loss) before reclassifications	2,391	(31)	2,360
Amounts reclassified from accumulated other comprehensive income, net of tax of ($24) [(1)] [(2)]	17,201	72	17,273
Net current-period other comprehensive income (loss)	19,592	41	19,633
Balance at December 31, 2017	(12,750)	(1,791)	(14,541)
Other comprehensive income (loss) before reclassifications	(3,501)	14	(3,487)
Amounts reclassified from accumulated other comprehensive income, net of tax of ($21) [(1)]	—	63	63
Reclassification of stranded tax effects to retained earnings[(3)]	—	(315)	(315)
Net current-period other comprehensive income (loss)	(3,501)	(238)	(3,739)
Balance at December 31, 2018	$(16,251)	$(2,029)	$(18,280)

(1)

The accumulated other comprehensive income (loss) components related to defined benefit pension plans are included in the computation of net periodic pension cost. See Note 14, Retirement Plans for additional details.

(2) Cumulative translation adjustment associated with the sale of the Brazil Business, as further discussed in Note 5, was included in the carrying value of assets disposed of.

(3) Reclassification of stranded tax effects resulting from the Tax Cuts and Jobs Act to retained earnings due to the adoption of ASU 2018-02 during the first quarter of 2018.

Stock Based Compensation

The Company has stock incentive plans that provide for the granting of stock-based compensation to employees and to non-employee directors. Shares issued for option exercises or restricted stock units may be either from authorized but unissued shares or treasury shares. The Company records the costs of the plan under the provisions of ASC 718, Compensation — Stock Compensation. For transactions in which the Company obtains employee services in exchange for an award of equity instruments, the Company measures the cost of the services based on the grant date fair value of the award. The Company recognizes the cost over the period during which an employee is required to provide services in exchange for the award, referred to as the requisite service period (usually the vesting period).

Income Taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the change is enacted.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

ASC 740, Income Taxes (“ASC 740”) requires that deferred tax assets be reduced by a valuation allowance, if based on all available evidence, it is more likely than not that the deferred tax asset will not be realized. The Company evaluates the recovery of its deferred tax assets by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates.

The Company evaluates its tax positions in accordance with ASC 740, which provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise’s financial statements. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized under ASC 740. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value. The Company maintains operating cash and reserves for replacement balances in financial institutions which, from time to time, may exceed federally insured limits. The Company periodically assesses the financial condition of these institutions and believes that the risk of loss is minimal.

Cash flows used in investing activities excluded $1.1 million, $0.6 million and $0.1 million of accrued capital expenditures in 2018, 2017 and 2016, respectively.

2. Revenue Recognition

The following table disaggregates the Company’s revenue by major market:

	For the Year Ended December 31, 2018			
	Material Handling	Distribution	Inter-company	Consolidated
Consumer	$78,174	$ —	$ —	$ 78,174
Vehicle	95,247	—	—	95,247
Food and beverage	101,610	—	—	101,610
Industrial	142,168	—	(100)	142,068
Auto aftermarket	—	149,636	—	149,636
Total net sales	$417,199	$ 149,636	$ (100)	$ 566,735

Revenue is recognized when obligations under the terms of a contract with customers are satisfied. In both the Distribution and Material Handling segments, this generally occurs with the transfer of control of the Company’s products. This transfer of control may occur at either the time of shipment from a Company facility, or at the time of delivery to a designated customer location. Obligations under contracts with customers are typically fulfilled within 90 days of receiving a purchase order from a customer, and generally no other future obligations are required to be performed. The Company does not enter into any long-term contracts with customers greater than one year. Based on the nature of the Company’s products and customer contracts, the Company has not recorded any deferred revenue, with the exception of cash advances or deposits received from customers prior to transfer of control of the product. These advances are typically fulfilled within the 90 day time frame mentioned above.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the products. Certain contracts with customers include variable consideration, such as rebates or discounts. The Company recognizes estimates of this variable consideration each period, primarily based on the most likely level of consideration to be paid to the customer under the specific terms of the underlying programs. While the Company’s contracts with customers do not generally include explicit rights to return product, the Company will in practice allow returns in the normal course of business and as part of the customer relationship. Thus, the Company estimates the expected returns each period based on an analysis of historical experience. For certain businesses where physical recovery of the product from returns occurs, the Company records an estimated right to return asset from such recovery, based on the approximate cost of the product.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

Amounts included in the Consolidated Statements of Financial Position related to revenue recognition include:

	December 31, 2018	December 31, 2017	Statement of Financial Position Classification
Returns, discounts and other allowances	$ (1,169)	$ (853)	Accounts receivable
Right of return asset	535	292	Inventories, net
Customer deposits	(806)	(140)	Other current liabilities
Accrued rebates	(2,559)	(2,962)	Other current liabilities

Sales, value added, and other taxes the Company collects concurrent with revenue from customers are excluded from net sales. The Company has elected to recognize the cost for shipments to customers when control over products has transferred to the customer. Costs for shipments to customers are classified as selling expenses for the Company's manufacturing businesses and as cost of sales for the Company's distribution business in the accompanying Consolidated Statements of Operations. The Company incurred costs for shipments to customers of approximately $9.7 million, $8.2 million and $8.9 million in selling expenses for the years ended December 31, 2018, 2017 and 2016, respectively, and $5.7 million, $6.0 million, and $6.1 million in cost of sales for the years ended December 31, 2018, 2017 and 2016, respectively. All other internal distribution costs are recorded in selling expenses.

Based on the short term nature of contracts described above, the Company does not incur significant contract acquisition costs. These costs, as well as other incidental items that are immaterial in the context of the contract, are recognized as expense as incurred.

3. Impairment Charges

As part of its ongoing strategy, the Company has been evaluating its various real estate holdings over the past two years. As a result of these initiatives, certain buildings have been reclassified as held for sale in 2017 and 2018. Based on the estimated fair value of these buildings (using primarily third party offers considered to be Level 2 inputs), less estimated costs to sell, the Company recorded impairment charges of $0.3 million and $0.5 million during the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Company had classified $4.4 million and $0.3 million for buildings as held for sale, in Other Assets in the Consolidated Statements of Financial Position. During 2018 and 2017, the Company sold certain buildings previously held for sale for net proceeds of $2.3 million and $3.1 million, respectively.

During 2016, the Company recorded impairment charges of $1.3 million, primarily related to long-lived assets associated with the exit of a non-strategic product line in the Material Handling Segment.

4. Goodwill and Intangible Assets

The Company tests for impairment of goodwill and indefinite-lived intangible assets on at least an annual basis, unless significant changes in circumstances indicate a potential impairment may have occurred sooner. Such changes in circumstances may include, but are not limited to, significant changes in economic and competitive conditions, the impact of the economic environment on the Company's customer base or its businesses, or a material negative change in its relationships with significant customers.

The Company conducted its annual goodwill impairment assessment as of October 1 for all of its reporting units, noting no impairment in continuing operations in 2018, 2017 or 2016.

During the 2018 annual review of goodwill, management performed a qualitative assessment for all of its reporting units. After considering changes to assumptions used in the most recent quantitative annual testing for each reporting unit, including macroeconomic conditions, industry and market considerations, overall financial performance, the magnitude of the excess of fair value over the carrying amount of each reporting unit as determined in the most recent quantitative annual testing, and other factors, management concluded that it was not more likely than not that the fair values of the reporting units were less than their respective carrying values and, therefore, did not perform a quantitative analysis in 2018. A qualitative analysis was also performed at October 31, 2017 and a quantitative analysis was performed at October 1, 2016.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

The changes in the carrying amount of goodwill for the years ended December 31, 2018 and 2017 were as follows:

	Distribution	Material Handling	Total
January 1, 2017	$ 505	$ 58,714	$ 59,219
Foreign currency translation	—	752	752
December 31, 2017	$ 505	$ 59,466	$ 59,971
Foreign currency translation	—	(903)	(903)
December 31, 2018	$ 505	$ 58,563	$ 59,068

Intangible assets other than goodwill primarily consist of trade names, customer relationships, patents, and technology assets established in connection with acquisitions. These intangible assets, other than certain trade names, are amortized over their estimated useful lives. The Company performs an annual impairment assessment for the indefinite lived trade names which had a carrying value of $9,782 and $9,972 at December 31, 2018 and 2017, respectively. In performing this assessment the Company uses an income approach, based primarily on Level 3 inputs, to estimate the fair value of the trade name. The Company records an impairment charge if the carrying value of the trade name exceeds the estimated fair value at the date of assessment.

Intangible assets at December 31, 2018 and 2017 consisted of the following:

	2018				2017		
	Weighted Average Remaining Useful Life (years)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trade Names - Indefinite Lived		$ 9,782	$ —	$ 9,782	$ 9,972	$ —	$ 9,972
Trade Names	6.5	80	(45)	35	80	(40)	40
Customer Relationships	1.5	39,521	(31,896)	7,625	41,043	(27,396)	13,647
Technology	5.2	24,980	(12,142)	12,838	24,980	(9,590)	15,390
Patents	0.0	11,730	(11,730)	—	11,730	(11,730)	—
		$ 86,093	$ (55,813)	$ 30,280	$ 87,805	$ (48,756)	$ 39,049

Intangible amortization expense was $8,099, $8,378 and $9,277 in 2018, 2017 and 2016, respectively. Estimated annual amortization expense for intangible assets with finite lives for the next five years is: $7,571 in 2019; $4,819 in

2020; $2,278 in 2021; $2,278 in 2022 and $2,278 in 2023.

5. Disposal of Businesses

On December 18, 2017, the Company, collectively with its wholly owned subsidiary, Myers Holdings Brasil, Ltda. (“Holdings”), completed the sale of its subsidiaries, Myers do Brasil Embalagens Plasticas Ltda. and Plasticos Novel do Nordeste Ltda. (collectively, the “Brazil Business”), to Novel Holdings – Eireli (“Buyer”), an entity controlled by a member of the Brazil Business’ management team. The divestiture of the Brazil Business will allow the Company to focus resources on its core businesses and additional growth opportunities. The Brazil Business is a leading designer and manufacturer of reusable plastic shipping containers, plastic pallets, crates and totes used for closed-loop shipping and storage in Brazil’s automotive, distribution, food, beverage and agriculture industries. The sale of the Brazil Business included manufacturing facilities and offices located in Lauro de Freitas City, Bahia, Brazil; Ibipora, Parana, Brazil; and Jaguarinuna, Brazil. The Brazil Business was part of the Company’s Material Handling Segment.

Pursuant to the terms of the Quota Purchase Agreement by and among the Company, Holdings and Buyer (the “Purchase Agreement”), the Buyer paid a purchase price of one U.S. Dollar to the Company and has assumed all liabilities and obligations of the Brazil Business, whether arising prior to or after the closing of the transaction. There are no additional amounts due, or to be settled, under the terms of the Purchase Agreement with the Buyer. The Company recorded a loss on the sale of the Brazil Business during the fourth quarter of 2017 of $35.0 million, which included $1.2 million of cash held by the Brazil Business and approximately $0.3 million of costs to sell. In addition, the Company recorded a U.S. tax benefit of approximately $15 million as a result of a worthless stock deduction related to the Company’s investment in the Brazil Business. As a result of the Company’s U.S. Federal income tax filings in 2018, the Company reduced this estimated tax benefit by $0.7 million and recognized this adjustment within net loss from discontinued operations.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

The Company has agreed to be the guarantor under a factoring arrangement between the Buyer and Banco Alfa de Investimento S.A. until December 31, 2019 for up to $7 million, in the event the Buyer is unable to meet its obligations under this arrangement. The Company also holds a first lien against certain machinery and equipment, exercisable only upon default by the Buyer under the guaranty. Based on the nature of the guaranty, as well as the existence of the lien, the Company believes the fair value of the guaranty is immaterial (based primarily on Level 3 inputs), and thus has recorded no liability related to this guaranty in the Consolidated Statement of Financial Position. This guaranty also creates a variable interest to the Company in the Brazil Business. Based on the terms of the transaction and the fact that the Company has no management involvement or voting interests in the Brazil Business following the sale, the Company does not have any power to direct the significant activities of the Brazil Business, and is thus not the primary beneficiary.

During the second quarter of 2014, the Company's Board of Directors approved the commencement of the sale process to divest its Lawn and Garden business to allow it to focus resources on its core growth platforms. The business was sold February 17, 2015 to an entity controlled by Wingate Partners V, L.P. ("L&G Buyer"), a private equity firm, for $110 million, subject to a working capital adjustment of approximately $4.0 million paid to the L&G Buyer in 2016. The terms of the agreement included a $90 million cash payment and promissory notes totaling $20 million that mature in August 2020 with a 6% interest rate, with approximately $8.6 million placed in escrow that was due to be settled by August 2016. The release of these funds had been extended pending the resolution of indemnification claims, as further described in Note 11. In April 2018, the Company reached agreement on the material terms of a settlement, and, as a result, recorded a pre-tax charge of $1.225 million to discontinued operations in 2018. The settlement was finalized and paid in May 2018, and upon settlement and release of any further obligation on behalf of the Company, the remaining $7.4 million was released from escrow to the Company.

During the third quarter of 2018, management of the Lawn and Garden business, now named HC Companies, Inc. ("HC"), requested an extension to the maturity of the notes as part of an effort to restructure their debt. The Company believes there is uncertainty about the ability to collect on the notes and corresponding accrued interest. The fair market value of the notes at the date of the sale was $17.8 million. The fair value of the notes receivable was calculated using Level 2 inputs as defined in Note 1. The carrying value of the notes as of December 31, 2018 and 2017 was $19.1 million and $18.7 million, respectively, which represents the fair value at the date of sale plus accretion. As a result of the uncertainty regarding the ability to collect on the notes and corresponding accrued interest, the Company recorded a provision for expected loss of $23.0 million within continuing operations to Other Expenses in the Consolidated Statements of Operations during the third quarter of 2018 based on the carrying value of the notes and corresponding accrued interest. Interest income on the notes receivable was $1.0 million, $1.3 million, and $1.3 million during the years ended December 31, 2018, 2017 and 2016 and was recognized based on the stated interest rate above. The Company ceased recognizing interest income following the recording of the provision noted above.

In connection with the financial risk described above with HC, the Company further assessed its potential obligations under a lease guarantee granted as part of the sale of the Lawn and Garden business. Refer to Note 11 for further information with regards to this obligation.

Summarized selected financial information for discontinued operations for the years ended December 31, 2018, 2017 and 2016 are presented in the following table:

	For the Year Ended December 31,		
	2018	2017*	2016
Net sales	$—	$29,976	$23,683
Cost of sales	—	25,359	20,941
Selling, general, and administrative	1,348	6,748	5,438
(Gain) loss on disposal of assets	—	(32)	226
Impairment charges	—	—	8,545
Interest income, net	—	(286)	(469)
Gain (loss) on the disposal of the discontinued operations	—	(34,956)	—
Loss from discontinued operations before income tax	(1,348)	(36,769)	(10,998)
Income tax expense (benefit)	353	(16,036)	(731)
Loss from discontinued operations, net of income tax	$(1,701)	$(20,733)	$(10,267)

*Includes Brazil Business operating results through December 18, 2017.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

Net cash flows provided by discontinued operations in 2018 resulted from the payment of expenses related to the sale of the Brazil Business, the payment of the settlement with the L&G Buyer noted above and partial receipt of the tax benefit from the worthless stock deduction related to the Brazil Business. The worthless stock deduction allowed the Company to reduce its estimated U.S. federal tax payments in 2018 by $4.3 million.

6. Net Income (Loss) Per Common Share

Net income (loss) per common share, as shown on the accompanying Consolidated Statements of Operations, is determined on the basis of the weighted average number of common shares outstanding during the periods as follows:

	For the Year Ended December 31,		
	2018	2017	2016
Weighted average common shares outstanding basic	33,426,855	30,222,289	29,750,378
Dilutive effect of stock options and restricted stock	—	340,357	217,534
Weighted average common shares outstanding diluted	33,426,855	30,562,646	29,967,912

Due to the net loss for the year ended December 31, 2018, diluted weighted-average shares outstanding are equal to basic weighted-average shares outstanding because the effect of all equity awards is anti-dilutive. Options to purchase 242,500 and 551,761 shares of common stock that were outstanding at December 31, 2017 and 2016, respectively, were not included in the computation of diluted earnings per share as the exercise prices of these options was greater than the average market price of common shares, and were therefore anti-dilutive.

7. Restructuring

The charges related to various restructuring programs implemented by the Company are included in cost of sales and selling, general and administrative ("SG&A") expenses depending on the type of cost incurred. The restructuring charges recognized in the years ended 2018, 2017 and 2016 are presented in the following table.

	2018			2017			2016		
Segment	Cost of sales	SG&A	Total	Cost of sales	SG&A	Total	Cost of sales	SG&A	Total
Distribution	$—	$ —	$—	$—	$ —	$—	$—	$ —	$ —

Material Handling	119	—	119	7,389	164	7,553	—	—	—
Corporate	—	—	—	—	—	—	—	—	—
Total	$119	$ —	$119	$7,389	$ 164	$7,553	$—	$ —	$ —

On March 9, 2017, the Company announced a restructuring plan (the "Plan") to improve the Company's organizational structure and operational efficiency within the Material Handling Segment, which related primarily to anticipated facility shutdowns and associated activities. Total restructuring costs incurred related to the Plan were approximately $7.7 million, which includes employee severance and other employee-related costs of approximately $3.1 million, $2.6 million related to equipment relocation and facility shut down costs and non-cash charges, primarily accelerated depreciation charges on property, plant and equipment, of approximately $2.0 million.

All actions under the Plan are completed. The Company incurred $0.1 million and $7.6 million of restructuring charges associated with the activities under the Plan during the years ended December 31, 2018 and 2017, respectively.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

The table below summarizes restructuring activity for the years ended December 31, 2018 and 2017:

	Employee Reduction	Accelerated Depreciation	Other Exit Costs	Total
Balance at January 1, 2017	$ —	$ —	$ —	$—
Charges to expense	3,022	1,993	2,538	7,553
Cash payments	(1,924)	—	(2,448)	(4,372)
Non-cash utilization	—	(1,993)	—	(1,993)
Balance at December 31, 2017	$ 1,098	$ —	$ 90	$ 1,188
Charges to expense	31	16	72	119
Cash payments	(1,099)	—	(162)	(1,261)
Non-cash utilization	—	(16)	—	(16)
Balance at December 31, 2018	$ 30	$ —	$ —	$ 30

In addition to the restructuring costs noted above, the Company also incurred other associated costs of the Plan of $1.1 million for the year ended December 31, 2017, of which $0.1 million is included in cost of sales and $1.0 is included in general and administrative expenses in the accompanying Consolidated Statements of Operations, and are primarily related to third party consulting costs. No such costs were incurred for the year ended December 31, 2018.

For the years ended December 31, 2018 and 2017, the Company recognized gains of $0.2 million and $3.9 million, respectively, on asset dispositions in connection with the planned facility closures under the Plan.

8. Other Liabilities

The balance in other current liabilities is comprised of the following:

	December 31, 2018	December 31, 2017
Customer deposits and accrued rebates	$ 3,365	$ 3,102
Dividends payable	5,260	4,478
Accrued litigation, claims and professional fees	460	417
Current portion of environmental reserves	1,229	1,322
Other accrued expenses	6,387	6,153

	$ 16,701	$ 15,472

The balance in other liabilities (long-term) is comprised of the following:

	December 31, 2018	December 31, 2017
Lease guarantee contingency	$ 10,402	$ —
Environmental reserves	3,702	3,814
Supplemental executive retirement plan liability	2,026	2,416
Pension liability	1,207	1,318
Deferred gain on sale of assets	1,237	—
Other long-term liabilities	1,220	688
	$ 19,794	$ 8,236

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

9. Stock Compensation

The Company's Amended and Restated 2017 Incentive Stock Plan (the "2017 Plan") authorizes the Compensation Committee of the Board of Directors to issue up to 5,126,950 shares of various stock awards including stock options, performance-based restricted stock units, restricted stock units and other forms of equity-based awards to key employees and directors. Options granted and outstanding vest over the requisite service period and expire ten years from the date of grant.

The following tables summarize stock option activity in the past three years:

Options granted in 2018, 2017 and 2016 were as follows:

Year	Options	Exercise Price
2018	255,072	$ 21.30
2017	397,759	$ 14.30
2016	271,350	$ 11.62

Options exercised in 2018, 2017 and 2016 were as follows:

Year	Options	Exercise Price
2018	191,169	$9.97 to $20.93
2017	375,292	$9.97 to $20.93
2016	334,836	$9.00 to $14.77

In addition, options totaling 86,411, 218,130 and 162,565 expired or were forfeited during the years ended December 31, 2018, 2017 and 2016, respectively.

Options outstanding and exercisable at December 31, 2018, 2017 and 2016 were as follows:

Year	Outstanding	Range of Exercise	Exercisable	Weighted Average

		Prices		Exercise Price
2018	965,659	$10.10 to $21.30	521,202	$ 16.08
2017	988,167	$9.97 to $20.93	539,993	$ 16.23
2016	1,183,830	$9.97 to $20.93	934,898	$ 14.88

The fair value of options granted is estimated using an option pricing model based on the assumptions set forth in the following table. The Company uses historical data to estimate employee exercise and departure behavior. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant and through the expected term. The dividend yield rate is based on the Company's historical dividend yield. The expected volatility is derived from historical volatility of the Company's shares and those of similar companies measured against the market as a whole. The Company used the binomial lattice option pricing model based on the assumptions set forth in the following table.

	2018	2017	2016
Risk free interest rate	2.90 %	2.50 %	1.80 %
Expected dividend yield	2.50 %	3.80 %	4.60 %
Expected life of award (years)	4.00	4.10	8.00
Expected volatility	42.50%	50.00%	50.00%
Fair value per option	$6.30	$4.47	$3.45

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

The following table provides a summary of stock option activity for the period ended December 31, 2018:

	Shares	Average Exercise Price	Weighted Average Life (in Years)
Outstanding at December 31, 2017	988,167	$ 15.13	
Options granted	255,072	21.30	
Options exercised	(191,169)	14.30	
Canceled or forfeited	(86,411)	17.65	
Expired	—	—	
Outstanding at December 31, 2018	965,659	16.69	7.23
Exercisable at December 31, 2018	521,202	$ 16.08	6.10

The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option. The intrinsic value of stock options exercised in 2018, 2017 and 2016 was $1,745, $2,813 and $1,809, respectively.

The following table provides a summary of restricted stock units, including performance-based restricted stock units, and restricted stock activity for the year ended December 31, 2018:

	Shares	Average Grant-Date Fair Value
Unvested shares at December 31, 2017	412,650	
Granted	178,005	$ 21.65
Vested	(104,737)	14.09
Forfeited	(62,123)	16.94
Unvested shares at December 31, 2018	423,795	

Restricted stock units are rights to receive shares of common stock, subject to forfeiture and other restrictions, which vest over a one or three year period. Restricted stock units are considered to be non-vested shares under the accounting guidance for share-based payment and are not reflected as issued and outstanding shares until the restrictions lapse. At

that time, the shares are released to the grantee and the Company records the issuance of the shares. Restricted stock awards are valued based on the market price of the underlying shares on the grant date. Compensation expense is recognized on a straight-line basis over the requisite service period. At December 31, 2018, restricted stock awards had vesting periods up through March 2021.

Included in the December 31, 2018 unvested shares are 268,103 performance-based restricted stock units. The fair value of these awards is calculated using the market price of the underlying common stock on the date of grant. In determining fair value, the Company does not take into account performance-based vesting requirements. For these awards, the performance-based vesting requirements determines the number of shares that ultimately vest, which can vary from 0% to 200% of target depending on the level of achievement of established performance criteria. Compensation expense is recognized over the requisite service period subject to adjustment based on the probable number of shares expected to vest under the performance condition.

Stock compensation expense was approximately $4,257, $3,626 and $3,357 for the years ended December 31, 2018, 2017 and 2016, respectively. These expenses are included in general and administrative expenses in the accompanying Consolidated Statements of Operations. Total unrecognized compensation cost related to non-vested share based compensation arrangements at December 31, 2018 was approximately $4,737 which will be recognized over the next three years, as such compensation is earned.

10. Equity

In May 2018, the Company completed a public offering of 4,600,000 shares of its common stock at a price to the public of $18.50 per share. The net proceeds from the offering were approximately $79.5 million, after deducting underwriting discounts and commissions and $0.5 million of offering expenses paid by the Company. The Company used a portion of the net proceeds received from the offering to repay a portion of its outstanding indebtedness during the second quarter of 2018.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

11. Contingencies

The Company is a defendant in various lawsuits and a party to various other legal proceedings, in the ordinary course of business, some of which are covered in whole or in part by insurance. When a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the estimated loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable of occurrence than another. As additional information becomes available, any potential liability related to these matters will be assessed and the estimates will be revised, if necessary.

Based on current available information, management believes that the ultimate outcome of these matters, including those described below, will not have a material adverse effect on our financial position, cash flows or overall trends in our results of operations. However, these matters are subject to inherent uncertainties, and unfavorable rulings could occur. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on the financial position and results of operations of the period in which the ruling occurs, or in future periods.

New Idria Mercury Mine

In September 2015, the U.S. Environmental Protection Agency ("EPA") informed a subsidiary of the Company, Buckhorn, Inc. ("Buckhorn") via a notice letter and related documents (the "Notice Letter") that it considers Buckhorn to be a potentially responsible party ("PRP") in connection with the New Idria Mercury Mine site ("New Idria Mine"). New Idria Mining & Chemical Company ("NIMCC"), which owned and/or operated the New Idria Mine through 1976, was merged into Buckhorn Metal Products Inc. in 1981, which was subsequently acquired by Myers Industries in 1987. As a result of the EPA Notice Letter, Buckhorn and the Company engaged in negotiations with the EPA with respect to a draft Administrative Order of Consent ("AOC") proposed by the EPA for the Remedial Investigation/Feasibility Study ("RI/FS") to determine the extent of remediation necessary and the screening of alternatives.

During the fourth quarter of 2018, the Company and the EPA finalized the AOC and related Statement of Work ("SOW") with regards to the New Idria Mine. The AOC is effective as of November 27, 2018, the date that it was executed by the EPA. The AOC and accompanying SOW document the terms, conditions and procedures for the Company's performance of the RI/FS. In addition, the AOC requires the Company to provide $2 million of financial assurance to the EPA during the estimated three year life of the RI/FS. In January 2019, the Company provided this assurance as a letter of credit. The AOC also includes provisions for payment by the Company of the EPA's costs of oversight of the RI/FS, including a prepayment in the amount of $0.2 million, which was paid in January 2019.

Since October 2011, when New Idria was added to the Superfund National Priorities List by the EPA, the Company has recognized $5.9 million of costs, of which approximately $2.5 million has been paid to date. These costs are comprised primarily of negotiation of the AOC, identification of possible insurance resources and other PRPs, estimates to perform the RI/FS, EPA oversight fees, past cost claims made by the EPA, periodic monitoring, and responses to unilateral administrative orders issued by the EPA. Expenses of $0.2 million, $1.3 million, and $1.0 million were recorded in the years ended December 31, 2018, 2017, and 2016, respectively. All charges related to this claim have been recorded within general and administrative expenses in the Consolidated Statements of Operations.

As of December 31, 2018 and 2017, the Company had a total reserve of $3.4 million and $3.6 million, respectively, related to the New Idria Mine. As of December 31, 2018, $0.9 million is classified in Other Current Liabilities and $2.5 million is classified in Other Liabilities on the Consolidated Statements of Financial Position.

It is possible that adjustments to the aforementioned reserves will be necessary as new information is obtained, including after preparation and EPA approval of the work plan for the RI/FS, which is anticipated to occur in the first half of 2019. Estimates of the Company's liability are based on current facts, laws, regulations and technology. Estimates of the Company's environmental liabilities are further subject to uncertainties regarding the nature and extent of site contamination, the range of remediation alternatives available, evolving remediation standards, imprecise engineering evaluation and cost estimates, the extent of remedial actions that may be required, the extent of oversight by the EPA, the number and financial condition of other PRPs that may be named as well as the extent of their responsibility for the remediation, and the availability of insurance coverage for these expenses.

At this time, we have not accrued for remediation costs in connection with this site as we are unable to estimate the liability, given the circumstances referred to above, including the fact that the final remediation strategy has not yet been determined.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

New Almaden Mine (formerly referred to as Guadalupe River Watershed)

A number of parties, including the Company and its subsidiary, Buckhorn (as successor to NIMCC), were alleged by trustee agencies of the United States and the State of California to be responsible for natural resource damages due to environmental contamination of areas comprising the historical New Almaden mercury mines located in the Guadalupe River Watershed region in Santa Clara County, California ("County"). In 2005, Buckhorn and the Company, without admitting liability or chain of ownership of NIMCC, resolved the trustees' claim against them through a consent decree that required them to contribute financially to the implementation by the County of an environmentally beneficial project within the impacted area. Buckhorn and the Company negotiated an agreement with the County, whereby Buckhorn and the Company agreed to reimburse one-half of the County's costs of implementing the project, originally estimated to be approximately \$1.6 million. As a result, in 2005, the Company recognized expense of \$0.8 million representing its share of the initial estimated project costs, of which approximately \$0.5 million has been paid to date. In April 2016, the Company was notified by the County that the original cost estimate may no longer be appropriate due to expanded scope and increased costs of construction, and provided a revised estimate of between \$3.3 million and \$4.4 million. The Company completed a detailed review of the support provided by the County for the revised estimate, and as a result, recognized additional expense of \$1.2 million in 2016. As of December 31, 2018 and 2017, the Company has a total reserve of \$1.5 million related to the New Almaden Mine. As of December 31, 2018, \$0.3 million is classified in Other Current Liabilities and \$1.2 million is classified in Other Liabilities on the Consolidated Statements of Financial Position. All charges related to this claim have been recorded with general and administrative expenses in the Consolidated Statements of Operations.

The project has not yet been implemented though significant work on design and planning has been performed. The Company is currently awaiting notice from Santa Clara County on the expected timing of fieldwork to commence. As work on the project occurs, it is possible that adjustments to the aforementioned reserves will be necessary to reflect new information. In addition, the Company may have claims against and defenses to claims by the County under the 2005 agreement that could reduce or offset its obligation for reimbursement of some of these potential additional costs. With the assistance of environmental consultants, the Company will closely monitor this matter and will continue to assess its reserves as additional information becomes available.

Lawn and Garden Indemnification Claim

In connection with the sale of the Lawn and Garden business, as described in Note 5, the Company received Notices of Indemnification Claims in April 2015 and July 2016 (collectively, the "Claims"), alleging breaches of certain representations and warranties under the agreement resulting in alleged losses in the amount of approximately \$10 million. As described in Note 5, approximately \$8.6 million of the sale proceeds that were placed in escrow were due to be settled in August 2016; however, the release of these funds had been extended pending the resolution of the Claims, which were the subject of a lawsuit in the Delaware Chancery Court.

In April 2018, the Company reached agreement on the material terms of a settlement, and as a result, recorded a pre-tax charge of \$1.225 million to discontinued operations in 2018. The settlement agreement was finalized in May 2018, and the settlement amount was funded from the escrow account. In addition, upon settlement and release of any further obligation on behalf of the Company, the remaining \$7.4 million was released from escrow to the Company in 2018.

Lawn and Garden Lease Guarantee

In connection with the sale of the Lawn and Garden business, as described in Note 5, the Company is a guarantor for one of HC's facility leases expiring in September 2025 for any remaining rent payments under the lease for which HC is unable to meet its obligations. Current annual rent for the facility is approximately $2 million, and is subject to annual CPI increases throughout the lease term. In connection with the financial risk associated with HC, as described in Note 5, the Company assessed its range of potential obligations under the lease guarantee, and as a result of this analysis, recorded a liability and related pre-tax charge of $10.3 million during 2018. The carrying value of the lease obligation as of December 31, 2018 was $10.4 million, which represents the initial liability recorded plus accretion and is included in Other Liabilities on the Consolidated Statements of Financial Position. The related initial charge was recorded to Other Expenses in the Consolidated Statements of Operations.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

Patent Infringement

On December 11, 2018, No Spill Inc. filed suit against Scepter Manufacturing LLC and Scepter Corporation (“Scepter”) in the United States District Court for the District of Kansas asserting infringement of two patents, breach of contract, and trade dress claims in relation to plastic gasoline containers Scepter manufactures and sells in the United States. On December 31, 2018, the parties filed a waiver of service and extension of time to file a response to the complaint. The response to the complaint is due on March 28, 2019. A schedule in the case has not yet issued. Scepter intends to defend itself vigorously in this matter. Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of this matter, and is unable at this time to determine whether the outcome of the litigation will have a material impact on its results of operations, financial condition, or cash flows. Accordingly, the Company has not currently recorded any reserves for this matter.

12. Long-Term Debt and Loan Agreements

Long-term debt at December 31, 2018 and 2017 consisted of the following:

	December 31, 2018	December 31, 2017
Loan Agreement	$ —	$ 74,632
4.67% Senior Unsecured Notes due 2021	40,000	40,000
5.25% Senior Unsecured Notes due 2024	11,000	11,000
5.30% Senior Unsecured Notes due 2024	15,000	15,000
5.45% Senior Unsecured Notes due 2026	12,000	12,000
	78,000	152,632
Less unamortized deferred financing costs	1,210	1,596
	$ 76,790	$ 151,036

In March 2017, the Company entered into a Fifth Amended and Restated Loan Agreement (the “Loan Agreement”). The Loan Agreement replaced the pre-existing $300 million senior revolving credit facility with a $200 million facility and extended the term from December 2018 to March 2022.

Under the terms of the Loan Agreement, the Company may borrow up to $200 million, reduced for letters of credit issued. As of December 31, 2018, the Company had $195.6 million available under the Loan Agreement. The Company had $4.4 million of letters of credit issued related to insurance and other financing contracts in the ordinary course of business at December 31, 2018. In addition, as described in Note 11, the Company issued an additional letter of credit of $2 million in January 2019. Borrowings under the Loan Agreement bear interest at the LIBOR rate, prime

rate, federal funds effective rate, the Canadian deposit offered rate, or the eurocurrency reference rate depending on the type of loan requested by the Company, in each case plus the applicable margin as set forth in the Loan Agreement.

The Company's Senior Unsecured Notes ("Notes") range in face value from $11 million to $40 million, with interest rates ranging from 4.67% to 5.45%, payable semiannually, and maturing between 2021 and 2026. In September 2017, the Company made an offer to all holders of the $100 million Notes to purchase all or a portion of the Notes prior to their maturity dates. In October 2017, one note holder accepted the offer and elected to tender $22 million in Notes. The Company purchased the Notes from the holder on October 31, 2017 for approximately $23.8 million, which includes the outstanding principal balance of $22.0 million and a make-whole premium of $1.8 million. A loss on extinguishment of debt of approximately $1.9 million was recorded during 2017, which consisted of the make-whole premium plus unamortized deferred financing costs of $0.1 million.

Amortization expense of the deferred financing costs was $386, $508, and $466 for the years ended December 31, 2018, 2017 and 2016, respectively, and is included in interest expense in the Consolidated Statements of Operations.

The average interest rate on borrowings under our loan agreements were 5.75% for 2018, 4.94% for 2017, and 4.69% for 2016, which includes a quarterly facility fee on the used and unused portion.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

As of December 31, 2018, the Company was in compliance with all of its debt covenants associated with its Loan Agreement and Notes. The most restrictive financial covenants for all of the Company's debt are an interest coverage ratio (defined as earnings before interest, taxes, depreciation and amortization, as adjusted, divided by interest expense) and a leverage ratio (defined as total debt divided by earnings before interest, taxes, depreciation and amortization, as adjusted). The ratios as of December 31, 2018 are shown in the following table:

	Required Level	Actual Level
Interest Coverage Ratio	3.00 to 1 (minimum)	11.60
Leverage Ratio	3.25 to 1 (maximum)	1.15

13. Income Taxes

The effective tax rate from continuing operations was 218.7% in 2018, 31.0% in 2017 and 39.5% in 2016. A reconciliation of the Federal statutory income tax rate to the Company's effective tax rate is as follows:

	Percent of Income before Income Taxes		
	2018	2017	2016
Statutory Federal income tax rate	21.0 %	35.0%	35.0%
State income taxes - net of Federal tax benefit	42.5	8.3	3.0
Foreign tax rate differential	3.9	(1.6)	(0.9)
Domestic production deduction	—	(5.2)	(3.2)
Non-deductible expenses	93.8	0.4	2.9
Impact of tax law changes	22.1	(7.4)	—
Changes in unrecognized tax benefits	42.9	0.9	(0.8)
Foreign tax incentives	(3.1)	—	(0.4)
Valuation allowances	—	—	3.2
Other	(4.4)	0.6	0.7
Effective tax rate for the year	218.7%	31.0%	39.5%

Income from continuing operations before income taxes was attributable to the following sources:

	2018	2017	2016
United States	$419	$12,979	$17,010
Foreign	970	2,729	1,709
Totals	$1,389	$15,708	$18,719

Income tax expense (benefit) from continuing operations consisted of the following:

	2018		2017		2016	
	Current	Deferred	Current	Deferred	Current	Deferred
Federal	$9,694	$(7,910)	$6,304	$(4,394)	$5,684	$(413)
Foreign	1,218	(718)	1,821	(883)	515	741
State and local	1,575	(822)	2,402	(386)	641	227
	$12,487	$(9,450)	$10,527	$(5,663)	$6,840	$555

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (the “Tax Act”). Effective January 1, 2018, the Tax Act established a corporate income tax rate of 21%, replacing the former 35% rate, and created a territorial tax system rather than a worldwide system, which generally eliminated the U.S. federal income tax on dividends from foreign subsidiaries. The transition to the territorial system included a one-time deemed repatriation transition tax (“Transition Tax”) on certain foreign earnings previously untaxed in the United States. In response to the complexities and timing of issuance of the Tax Act, the SEC issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (“SAB 118”) which provided up to a one-year measurement period for companies to finalize the accounting for the impacts of this new legislation. As required, the Company finalized its accounting during 2018 for items previously considered provisional. At December 31, 2017, the Company recorded an initial provisional net benefit to income tax expense of $1.2 million related to the enactment of the Tax Act. This net benefit included a provisional deferred tax benefit of $3.0 million related to revaluing the net U.S. deferred tax liabilities to reflect the lower U.S. corporate tax rate. The deferred tax benefit was offset by a provision of $1.8 million related to the Transition Tax. In general, the Transition Tax imposed by the Tax Act results in the taxation of foreign earnings and profits (“E&P”) at a 15.5% rate on liquid assets and 8% on the remaining unremitted foreign E&P, both net of foreign tax credits. The provisional amounts for the Transition Tax recorded by the Company in 2017 included the undistributed E&P for all the Company’s foreign subsidiaries. Based on the finalized accounting and preparation of the Company’s 2017 U.S. Federal Tax Return, the Company recorded a reduction of income tax expense of $0.3 million for the year ended December 31, 2018 to reflect adjustments to the previously recognized provisional amounts under the Tax Act. In addition, the Company recorded income tax expense of $0.6 million associated with an uncertain tax position related to the calculation of the Transition Tax included in the 2017 return.

During 2018, the Company recorded a provision and related deferred tax liability of $0.6 million related to the earnings of the Company’s subsidiary in Guatemala, which were deemed by management to no longer be permanently reinvested. As noted above, the E&P for all foreign subsidiaries has been previously included in the calculation of the Transition Tax, and thus, should there be a repatriation of earnings from any other foreign subsidiaries in future periods, the Company expects to be subject to only foreign withholding tax. Management does not currently anticipate a repatriation of earnings from any foreign subsidiaries, except as provided above, as these earnings are deemed to be permanently reinvested.

Significant components of the Company’s deferred taxes as of December 31, 2018 and 2017 are as follows:

	2018	2017
Deferred income tax assets		
Compensation	2,774	3,030
Inventory valuation	695	502
Allowance for uncollectible accounts	237	268
Provision for loss on note receivable	5,031	—
Non-deductible accruals	4,196	2,195
Non-deductible intangibles	1,574	1,193

State deferred taxes	843	—
Capital loss carryforwards	1,982	1,982
Net operating loss carryforwards	—	405
	17,332	9,575
Valuation allowance	(1,982)	(1,982)
	15,350	7,593
Deferred income tax liabilities		
Property, plant and equipment	$4,247	$6,255
Tax-deductible goodwill	5,089	5,202
State deferred taxes	—	132
Other	744	149
	10,080	11,738
Net deferred income tax asset (liability)	$5,270	$(4,145)

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

ASC 740, Income Taxes, requires that deferred tax assets be reduced by a valuation allowance, if based on all available evidence, it is more likely than not that the deferred tax asset will not be realized. Available evidence includes the reversal of existing taxable temporary differences, future taxable income exclusive of temporary differences, taxable income in carryback years and tax planning strategies. Based on the current available evidence, the Company considers the net deferred tax asset at December 31, 2018 to be fully realizable except for the deferred tax asset related to the capital loss carryforward described below.

As further discussed in Note 5, the Company sold its investments in certain Brazilian subsidiaries on December 18, 2017. In connection with this divestiture, the Company incurred a capital loss of $9.5 million on its investment in the Myers do Brazil business and recorded a deferred tax asset of $2.0 million as the result of this capital loss carryforward. A valuation allowance of $2.0 million has been recorded against this deferred tax asset as the recovery of the asset is not more likely than not as of December 31, 2018. In addition, in accordance with ASC 740, for the year ended December 31, 2016 the Company allocated $0.6 million of a valuation allowance related to the Brazil Business to income from continuing operations in the Consolidated Statement of Operations, as this valuation allowance related to the change in estimated realizability of the beginning of the year net deferred tax asset in the Brazil Business.

The Company recorded a tax benefit of approximately $15 million generated as a result of a worthless stock deduction for the Novel do Nordeste business included in the divestiture. Although management believes that the worthless stock deduction is valid, there can be no assurance that the IRS will not challenge it and, if challenged, that the Company will prevail. This tax benefit is included in the net loss from discontinued operations in the Consolidated Statements of Operations for the year ended December 31, 2017. As a result of the Company's U.S. Federal income tax filings in 2018, the Company reduced this estimated tax benefit by $0.7 million and recognized this adjustment within net loss from discontinued operations.

The following table summarizes the activity related to the Company's unrecognized tax benefits:

	2018	2017	2016
Balance at January 1	$359	$478	$151
Increases related to previous year tax positions	596	359	478
Reductions due to lapse of applicable statute of limitations	—	(478)	(151)
Reduction due to settlements	—	—	—
Balance at December 31	$955	$359	$478

The total amount of gross unrecognized tax benefits that would reduce the Company's effective tax rate was $1.0 million, $0.4 million and $0.5 million at December 31, 2018, 2017 and 2016.

The Company and its subsidiaries file U.S. Federal, state and local, and non-U.S. income tax returns. As of December 31, 2018, the Company is no longer subject to U.S. Federal examinations by tax authorities for tax years before 2015. The Company is subject to state and local examinations for tax years of 2013 through 2017. In addition, the Company is subject to non-U.S. income tax examinations for tax years of 2013 through 2017.

14. Retirement Plans

The Company and certain of its subsidiaries have pension and profit sharing plans covering substantially all of their employees. The Company’s defined benefit pension plan, The Pension Agreement between Akro-Mils and United Steelworkers of America Local No. 1761-02, provides benefits primarily based upon a fixed amount for each year of service. The plan was frozen in 2007, and thus benefits for service were no longer accumulated after this date.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

Net periodic pension cost for the years ended December 31, 2018, 2017 and 2016 was as follows:

	For the Year Ended December 31,		
	2018	2017	2016
Interest cost	$224	$253	$270
Expected return on assets	(317)	(295)	(319)
Amortization of net loss	84	96	82
Net periodic pension cost	$(9)	$54	$33

The reconciliation of changes in projected benefit obligations are as follows:

	December 31,	
	2018	2017
Projected benefit obligation at beginning of year	$6,579	$6,503
Interest cost	224	253
Actuarial loss (gain)	(362)	276
Expenses paid	(135)	(84)
Benefits paid	(362)	(369)
Projected benefit obligation at end of year	$5,944	$6,579
Accumulated benefit obligation at end of year	$5,944	$6,579

The assumptions used to determine the net periodic benefit cost and benefit obligations are as follows:

	December 31,		
	2018	2017	2016
Discount rate for net periodic pension cost	3.50%	4.00%	4.30%
Discount rate for benefit obligations	4.20%	3.50%	4.00%
Expected long-term return of plan assets	7.50%	7.75%	7.75%

The expected long-term rate of return assumption is based on the actual historical rate of return on assets adjusted to reflect recent market conditions and future expectations consistent with the Company's current asset allocation and investment policy. In the current year, the Company's asset allocation and investment policy transitioned from a total-return strategy to a liability-driven strategy. This revised policy shifts from equities and market duration fixed

income and into fixed income investments that are managed to match the duration of the underlying pension liability. The assumed discount rates represent long-term high quality corporate bond rates commensurate with the liability duration of the plan.

The following table reflects the change in the fair value of the plan's assets:

	December 31,	
	2018	2017
Fair value of plan assets at beginning of year	$5,261	$5,183
Actual return on plan assets	(27)	531
Company contributions	—	—
Expenses paid	(135)	(84)
Benefits paid	(362)	(369)
Fair value of plan assets at end of year	$4,737	$5,261

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

The fair value of plan assets as of December 31, 2018 consist of mutual funds valued at $2,352 and pooled separate accounts valued at $2,385. The mutual funds were categorized as Level 1 and were determined based on period end, closing quoted prices in active markets. The pooled separate accounts are measured at net asset value as a practical expedient to estimate fair value and are not classified in the fair value hierarchy as of December 31, 2018. Each of the pooled separate accounts invest in multiple fixed securities and provide for daily redemptions by the plan with no advance notice requirements, and have redemption prices that are determined by the fund's net asset value per unit with no redemption fees.

The fair value of plan assets as of December 31, 2017, which consisted mainly of mutual funds, were all categorized as Level 1 and were determined based on period end closing, quoted prices in active markets.

The weighted average asset allocations at December 31, 2018 and 2017 were as follows:

	December 31,	
	2018	2017
U.S. Equities securities	50 %	72 %
U.S. Debt securities	50 %	24 %
Cash	—	4 %
Total	100 %	100 %

The following table provides a reconciliation of the funded status of the plan at December 31, 2018 and 2017:

	December 31,	
	2018	2017
Projected benefit obligation	$5,944	$6,579
Plan assets at fair value	4,737	5,261
Funded status	$(1,207)	$(1,318)

The funded status shown above is included in Other Liabilities in the Company's Consolidated Statements of Financial Position at December 31, 2018 and 2017. The Company expects to make a contribution to the plan of $30 in 2019.

Benefit payments projected for the plan are as follows:

2019	$ 372
2020	376
2021	377
2022	374
2023	374
2024-2028	1,889

The Myers Industries Profit Sharing and 401(k) Plan is maintained for the Company's U.S. based employees, not covered under defined benefit plans, who have met eligibility service requirements. The Company recognized expense related to the 401(k) employer matching contribution in the amount of $2,216, $2,302 and $2,324 in 2018, 2017 and 2016, respectively.

In addition, the Company has a Supplemental Executive Retirement Plan ("SERP") to provide certain participating senior executives with retirement benefits in addition to amounts payable under the 401(k) plan. Expense related to the SERP was approximately $33, $128 and $192 for the years ended December 2018, 2017 and 2016, respectively. The SERP liability was based on the discounted present value of expected future benefit payments using a discount rate of 4.2% at December 31, 2018 and 3.5% at December 31, 2017. The SERP liability was approximately $2,449 and $2,923 at December 31, 2018 and 2017, respectively, and is included in Accrued Employee Compensation and Other Liabilities on the accompanying Consolidated Statements of Financial Position. The SERP is unfunded.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

15. Leases

The Company and certain of its subsidiaries are committed under non-cancelable operating leases involving certain facilities and equipment. Aggregate rental expense for all leased assets was $3,312, $3,198 and $3,625 for the years ended December 31, 2018, 2017 and 2016, respectively.

Future minimum rental commitments are as follows:

Year Ended December 31,	
2019	$2,492
2020	1,739
2021	982
2022	966
2023	841
Thereafter	811
Total	$7,831

On February 27, 2018, the Company completed a sale-leaseback transaction for its distribution center in Pomona, California for a net purchase price of $2.3 million. The Company realized a gain on the sale of $2.0 million, of which $0.7 million was recognized at the time of the sale. The remaining $1.3 million is being recognized ratably over the term of the ten-year lease at approximately $0.1 million per year. Simultaneous with the closing of the sale, the Company entered into a ten-year operating lease arrangement with base annual rent of approximately $0.1 million during the first year, followed by annual increases of 3% through the remainder of the lease period. This facility is included in the Company's Distribution Segment.

16. Industry Segments

Using the criteria of ASC 280, Segment Reporting, the Company manages its business under two operating segments, Material Handling and Distribution, consistent with the manner in which our Chief Operating Decision Maker evaluates performance and makes resource allocation decisions. None of the reportable segments include operating segments that have been aggregated. These segments contain individual business components that have been combined on the basis of common management, customers, products, production processes and other economic characteristics. The Company accounts for intersegment sales and transfers at cost plus a specified mark-up.

The Material Handling Segment manufactures a broad selection of plastic reusable containers, pallets, small parts bins, bulk shipping containers, storage and organization products and rotationally-molded plastic tanks for water, fuel and waste handling. This segment conducts its primary operations in the United States and Canada. Markets served include industrial manufacturing, food processing, retail/wholesale products distribution, agriculture, automotive,

recreational vehicles, marine vehicles, healthcare, appliance, bakery, electronics, textiles, consumer, and others. Products are sold both directly to end-users and through distributors.

The Distribution Segment is engaged in the distribution of equipment, tools, and supplies used for tire servicing and automotive undervehicle repair and the manufacture of tire repair and retreading products. The product line includes categories such as tire valves and accessories, tire changing and balancing equipment, lifts and alignment equipment, service equipment and tools, and tire repair/retread supplies. The Distribution Segment operates domestically through its sales offices and four regional distribution centers in the United States, and in certain foreign countries through export sales. In addition, the Distribution Segment operates directly in certain foreign markets, principally Central America, through foreign branch operations. Markets served include retail and truck tire dealers, commercial auto and truck fleets, auto dealers, general service and repair centers, tire retreaders, and government agencies.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

Total sales from foreign business units were approximately $50.6 million, $53.9 million, and $64.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. Total export sales to countries outside the U.S. were approximately $19.6 million, $17.2 million, and $18.6 million for the years ended December 31, 2018, 2017 and 2016, respectively. Sales made to customers in Canada accounted for approximately 4.1% of total net sales in 2018, 2.4% in 2017 and 4.6% in 2016. There are no other individual foreign countries for which sales are material. Long-lived assets in foreign countries, primarily in Canada, consisted of property, plant and equipment, and were approximately $14.1 million at December 31, 2018 and $17.6 million at December 31, 2017.

	2018	2017	2016
Net Sales			
Material Handling	$417,199	$391,313	$363,956
Distribution	149,636	156,428	170,660
Inter-company sales	(100)	(698)	(237)
Total net sales	$566,735	$547,043	$534,379
Income (loss) from continuing operations before income taxes			
Material Handling	$57,948	$38,874	$40,776
Distribution	7,441	9,073	12,834
Corporate	(59,062)	(23,059)	(26,248)
Total operating income	6,327	24,888	27,362
Interest expense, net	(4,938)	(7,292)	(8,643)
Loss on extinguishment of debt	—	(1,888)	—
Income from continuing operations before income taxes	$1,389	$15,708	$18,719
Identifiable Assets			
Material Handling	$229,962	$257,863	$268,634
Distribution	48,575	49,822	56,072
Corporate	70,108	48,257	36,271
Discontinued operations	—	—	20,707
Total identifiable assets	$348,645	$355,942	$381,684
Capital Additions, Net			
Material Handling	$4,500	$5,165	$10,933
Distribution	587	622	1,424
Corporate	36	27	132
Total capital additions, net	$5,123	$5,814	$12,489
Depreciation and Amortization			
Material Handling	$24,159	$28,506	$29,270
Distribution	1,169	1,174	1,221
Corporate	811	1,151	1,301

Total depreciation and amortization	$26,139	$30,831	$31,792

17. Subsequent Events (Unaudited)

On March 1, 2019, the Company sold a distribution center in Wadsworth, Ohio for net proceeds of approximately $4.5 million. This facility was classified as an asset held for sale as of December 31, 2018, as discussed in Note 3, and was included in the Company's Material Handling Segment.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

18. Summarized Quarterly Results of Operations (Unaudited)

Quarter Ended 2018	March 31	June 30	September 30	December 31	Total
Net Sales	$152,568	$140,560	$135,219	$138,388	$566,735
Gross Profit	47,115	47,991	42,091	42,096	179,293
Income (loss) from continuing operations	7,755	8,608	(21,137)	3,126	(1,648)
Income (loss) from discontinued operations, net	(911)	—	(2)	(788)	(1,701)
Net income (loss)	6,844	8,608	(21,139)	2,338	(3,349)
Income (loss) per common share from continuing operations:					
Basic*	$0.25	$0.26	$(0.60)	$0.09	$(0.05)
Diluted*	$0.25	$0.26	$(0.60)	$0.09	$(0.05)
Income (loss) per common share from discontinued operations:					
Basic*	$(0.03)	$—	$—	$(0.02)	$(0.05)
Diluted*	$(0.03)	$—	$—	$(0.02)	$(0.05)
Net income (loss) per share:					
Basic*	$0.22	$0.26	$(0.60)	$0.07	$(0.10)
Diluted*	$0.22	$0.26	$(0.60)	$0.07	$(0.10)

Quarter Ended 2017	March 31	June 30	September 30	December 31	Total
Net Sales	$136,572	$135,252	$135,113	$140,106	$547,043
Gross Profit	41,761	38,292	39,143	38,257	157,453
Income (loss) from continuing operations (3) (4)	3,458	2,482	3,083	1,821	10,844
Income (loss) from discontinued operations, net (1) (2)	(344)	(489)	174	(20,074)	(20,733)
Net income (loss)(1) (2) (3) (4)	$3,114	$1,993	$3,257	$(18,253)	(9,889)
Income (loss) per common share from continuing operations:					
Basic*	$0.12	$0.08	$0.10	$0.06	$0.36
Diluted*	$0.11	$0.08	$0.10	$0.06	$0.35
Income (loss) per common share from discontinued operations:					
Basic*	$(0.02)	$(0.01)	$0.01	$(0.66)	$(0.69)
Diluted*	$(0.01)	$(0.01)	$0.01	$(0.65)	$(0.68)
Net income (loss) per share:					
Basic*	$0.10	$0.07	$0.11	$(0.60)	$(0.33)
Diluted*	$0.10	$0.07	$0.11	$(0.59)	$(0.33)

(1) A loss on the sale of the Brazil Business of $35 million was recognized during the fourth quarter of 2017. This loss is included in loss from discontinued operations in the accompanying Consolidated Statements of Operations.
(2) During the quarter ended December 31, 2017, the Company recorded a U.S. tax benefit of approximately $15 million as a result of a worthless stock deduction related to the Company's investment in the Brazil Business. This benefit is included in loss from discontinued operations in the accompanying Consolidated Statements of Operations.
(3) During the quarter ended December 31, 2017, the Company recorded a loss on extinguishment of debt of approximately $1.9 million.
(4) During the quarter ended December 31, 2017, the Company recorded a net tax benefit of approximately $1.2 million related to the Tax Act

* The sum of the earnings per share for the four quarters in a year does not necessarily equal the total year earnings per share due to the computation of weighted shares outstanding during each respective period.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

The Company carries out a variety of on-going procedures, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to evaluate the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2018.

Management's report on internal control over financial reporting, and the report of the independent registered public accounting firm on internal control over financial reporting are titled "Management's Annual Assessment of and Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm", respectively, and are included herein.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Assessment of and Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

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

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over

financial reporting based on the framework in “Internal Control – Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this assessment, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2018.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included herein.

R. David Banyard	Kevin L. Brackman
President and	Executive Vice President and
Chief Executive Officer	Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Myers Industries, Inc. and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited Myers Industries, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Myers Industries, Inc. and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of Myers Industries, Inc. and Subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018 and the related notes of the Company and our report dated March 8, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Assessment of and Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that

our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Akron, Ohio

March 8, 2019

ITEM 9B. Other Information.
None.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

For information about the directors of the Company, see the sections titled “Proposal No. 1 – Election of Directors”, “Nominees”, “Corporate Governance Guidelines”, “Corporate Governance and Compensation Practices”, “Board and Committee Independence”, “Board Committees and Meetings”, “Committee Charters and Policies”, and “Shareholder Nomination Process” of the Company’s Proxy Statement filed with the Securities and Exchange Commission for the Company’s annual meeting of shareholders to be held on April 24, 2019 (“Proxy Statement”), which is incorporated herein by reference.

Each member of the Company’s Audit Committee is financially literate and independent as defined under the Company’s Independence Criteria Policy and the independence standards set by the New York Stock Exchange. The Board has identified Robert A. Stefanko, Jane Scaccetti, F. Jack Liebau, Jr. and Lori Lutey as “Audit Committee Financial Experts”.

Information about the Executive Officers of Registrant appears in Part I of this Report.

Disclosures by the Company with respect to compliance with Section 16(a) appears under the section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement, and is incorporated herein by reference.

For information about our Code of Ethics see the section titled “Corporate Governance and Compensation Practices” of our Proxy Statement, which is incorporated herein by reference.

ITEM 11. Executive Compensation

See the sections titled “Compensation Discussion and Analysis”, “Employment Arrangements Including Change in Control”, "Risk Assessment of Compensation Practices”, “CEO Pay Ratio”, “Compensation Committee Interlocks and Insider Participation”, and “Compensation Committee Report on Executive Compensation” of the Proxy Statement, which are incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

See the sections titled “Security Ownership of Certain Beneficial Owners and Management,” and “Proposal No. 1 - Election of Directors” of the Proxy Statement, which are incorporated herein by reference.

Plan Category	(A) Number of Securities	(B) Weighted-average	(C) Number of Securities

	to be Issued Upon Exercise of Outstanding Options, Warrants and Rights		Exercise Price of Outstanding Options, Warrants and Rights		Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A))
Equity Compensation Plans Approved by Security Holders	1,389,454	(1)	$ 16.69	(2)	1,549,514
Equity Compensation Plans Not Approved by Security Holders	–0–		–0–		–0–
Total	1,389,454				1,549,514

(1) This information is as of December 31, 2018 and includes outstanding stock option and restricted stock unit awards, including performance-based restricted stock unit awards, granted under the 2017 Incentive Stock Plan and 1999 Incentive Stock Plan.

(2) Represents the weighted average exercise price of outstanding stock options and does not take into account outstanding restricted stock unit awards, which do not have an exercise price.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

See the sections titled “Policies and Procedures with Respect to Related Party Transactions” and “Corporate Governance Guidelines”, “Corporate Governance and Compensation Practices” and “Board and Committee Independence” of the Proxy Statement, which are incorporated herein by reference.

ITEM 14. Principal Accounting Fees and Services

Required information regarding fees paid to and services provided by the Company’s independent registered public accounting firm and the pre-approval policies and procedures of the Audit Committee of the Company’s Board of Directors is set forth under the section titled “Matters Relating to the Independent Registered Public Accounting Firm” of the Proxy Statement, which is incorporated herein by reference.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

The following consolidated financial statements of the Registrant appear in Part II of this Report:

15. (A)(1) Financial Statements
Consolidated Financial Statements of Myers Industries, Inc. and Subsidiaries

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Operations For The Years Ended December 31, 2018, 2017 and 2016
- Consolidated Statements of Comprehensive Income (Loss) For the Years Ended December 31, 2018, 2017 and 2016
- Consolidated Statements of Financial Position As of December 31, 2018 and 2017
- Consolidated Statements of Shareholders' Equity For The Years Ended December 31, 2018, 2017 and 2016
- Consolidated Statements of Cash Flows For The Years Ended December 31, 2018, 2017 and 2016
- Notes to Consolidated Financial Statements

15. (A)(2) Financial Statement Schedules
All schedules are omitted because they are inapplicable, not required, or because the information is included in the consolidated financial statements or notes thereto which appear in Part II of this Report.

15.(A)(3) Exhibits

EXHIBIT INDEX

2(a)	Amended and Restated Asset Purchase Agreement, dated as of February 17, 2015, among Myers Industries, Inc., MYE Canada Operations, Inc., and the HC Companies, Inc. Reference is made to Exhibit 2.1 to Form 8-K filed with the Commission on February 18, 2015.**
2(b)	Quota Purchase Agreement by and among Myers Industries, Inc., Myers Holdings Brasil Ltda., Novel Holdings - Eireli, and Gabriel Alonso Neto dated as of December 18, 2017. Reference is made to Exhibit 2.1 to Form 8-K filed with the Commission on December 20, 2017.
3(a)	Myers Industries, Inc. Amended and Restated Articles of Incorporation. Reference is made to Exhibit 3(a) to Form 10-K filed with the Commission on March 16, 2005.
3(b)	Myers Industries, Inc. Amended and Restated Code of Regulations. Reference is made to Exhibit 3.1 to Form 8-K filed with the Commission on April 12, 2013.
10(a)	Myers Industries, Inc. Amended and Restated Employee Stock Purchase Plan. Reference is made to Exhibit 10(a) to Form 10-K filed with the Commission on March 30, 2001.
10(b)	Form of Indemnification Agreement for Directors and Officers. Reference is made to Exhibit 10.1 to Form 10-Q filed with the Commission on May 1, 2009.
10(c)	Myers Industries, Inc. Amended and Restated Dividend Reinvestment and Stock Purchase Plan. Reference is made to Exhibit 99 to Post-Effective Amendment No. 2 to Form S-3 filed with the Commission on March 19, 2004.
10(d)	Myers Industries, Inc. Amended and Restated 1999 Incentive Stock Plan. Reference is made to Exhibit 10(f) to Form 10-Q filed with the Commission on August 9, 2006.*
10(e)	Myers Industries, Inc. Executive Supplemental Retirement Plan. Reference is made to Exhibit (10)(g) to Form 10-K filed with the Commission on March 26, 2003.*
10(f)	Amendment to the Myers Industries, Inc. Executive Supplemental Retirement Plan, effective August 12, 2015. Reference is made to the Exhibit 10.1 to Form 8-K filed with the Commission on August 14, 2015.*
10(g)	Non-Competition and Confidentiality Agreement between Myers Industries, Inc. and Gregg Branning dated September 1, 2012. Reference is made to Exhibit 10(s) to Form 10-Q filed with the Commission on May 1, 2013.*
10(h)	Performance Bonus Plan of Myers Industries, Inc. Reference is made to Exhibit 10.1 to Form 8-K filed with the Commission on April 30, 2013.*
10(i)	Note Purchase Agreement between Myers Industries, Inc. and the Note Purchasers, dated October 22, 2013, regarding the issuance of $40,000,000 of 4.67% Series A Senior Notes due January 15, 2021, $11,000,000 of 5.25% Series B Senior Notes due January 15, 2024, $29,000,000 of 5.30% Series C Senior Notes due January 15, 2024, and $20,000,000 of 5.45% Series D Senior Notes due January 15, 2026. Reference is made to Exhibit 4.1 to Form 8-K filed with the Commission on October 24, 2013.
10(j)	First Amendment to the Note Purchase Agreement between Myers Industries, Inc. and the Note Purchasers, regarding the issuance of $40,000,000 of 4.67% Series A Senior Notes due January 15, 2021, $11,000,000 of 5.25% Series B Senior Notes due January 15, 2024, $29,000,000 of 5.30% Series C Senior Notes due January 15, 2024, and $20,000,000 of 5.45% Series D Senior Notes due January 15, 2026, dated July 21, 2015. Reference is made to Exhibit 10.1 to Form 8-K filed with the Commission on July 23, 2015.
10(k)	Fourth Amended and Restated Loan Agreement among Myers Industries, Inc., MYE Canada Operations, Inc., the lenders party thereto, and JPMorgan Chase Bank, National Association, as Agent, dated December 13, 2013. Reference is made to Exhibit 10.1 to Form 8-K filed with the Commission on December 17, 2013.
10(l)	First Amendment to Fourth Amended and Restated Loan Agreement among Myers Industries, Inc., the foreign subsidiary borrowers, the lenders party thereto, and JPMorgan Chase Bank, National Association, as Agent,

	dated May 30, 2014. Reference is made to Exhibit 10.1 to Form 8-K filed with the Commission on June 4, 2014.
10(m)	Amended and Restated 2008 Incentive Stock Plan of the Company, effective as of March 5, 2015. Reference is made to the Exhibit 10.1 to Form 8-K filed with the Commission on April 30, 2015.*
10(n)	Second Amendment to Fourth Amended and Restated Loan Agreement among Myers Industries, Inc., the foreign subsidiary borrowers, the lenders party thereto, and JPMorgan Chase Bank, National Association, as Agent, dated May 19, 2015. Reference is made to Exhibit 10.1 to Form 8-K filed with the Commission on May 26, 2015.
10(o)	Severance Agreement between the Company and R. David Banyard, entered into as of December 7, 2015. Reference is made to Exhibit 10.1 to Form 8-K filed with the Commission on December 8, 2015.*
10(p)	Non-Competition and Confidentiality Agreement between Myers Industries, Inc. and R. David Banyard dated December 7, 2015. Reference is made to Exhibit 10(u) to the Annual Report on Form 10-K filed with the Commission on March 14, 2016.*
10(q)	Form of 2016 Stock Unit Award Agreement under the Amended and Restated 2008 Incentive Stock Plan for Named Executive Officers. Reference is made to Exhibit 10(v) to the Annual Report on Form 10-K filed with the Commission on March 14, 2016.*
10(r)	Form of 2016 Stock Unit Award Agreement under the Amended and Restated 2008 Incentive Stock Plan for Director Awards. Reference is made to Exhibit 10(x) to the Annual Report on Form 10-K filed with the Commission on March 14, 2016.*
10(s)	Form of 2016 Option Award Agreement under the Amended and Restated 2008 Incentive Stock Plan for Named Executive Officers. Reference is made to Exhibit 10(y) to the Annual Report on Form 10-K filed with the Commission on March 14, 2016.*
10(t)	Form of Long Term Cash Award Agreement under the Performance Bonus Plan. Reference is made to Exhibit 10(aa) to the Annual Report on Form 10-K filed with the Commission on March 14, 2016.*
10(u)	Severance Agreement between the Company and Matteo Anversa, entered into as of October 17, 2016. Reference is made to Exhibit 10.1 to Form 8-K filed with the Commission on October 19, 2016.*

10(v)	Severance Agreement between the Company and Kevin Brackman entered into December 13, 2018 effective December 11, 2018. Reference is made to Exhibit 10.1 to Form 8-K/A filed with the Commission on December 18, 2018.*
10(w)	Change in Control Agreement between the Company and Andrean Horton entered into as of October 8, 2018.* (filed herewith)
10(x)	Form of Performance-based Stock Unit Award Agreement (three-year vest period) under the Amended and Restated 2008 Incentive Stock Plan for R. David Banyard. Reference is made to Exhibit 10(a) to Form 10-Q filed with the Commission on May 2, 2016.*
10(y)	Form of Director Stock Award Agreement under the Amended and Restated 2008 Incentive Stock Plan. Reference is made to Exhibit 10(b) to Form 10-Q filed with the Commission on May 2, 2016.*
10(z)	Form of 2017 Performance Stock Unit Award Agreement under the 2017 Incentive Stock Plan of Myers Industries, Inc. Reference is made to Exhibit 10(ag) to Form 10-K filed with the Commission on March 9, 2017.*
10(aa)	Fifth Amended and Restated Loan Agreement, dated March 8, 2017, among Myers Industries, Inc., MYE Canada Operations Inc., Scepter Canada Inc. and the other foreign subsidiary borrowers, the lenders and JPMorgan Chase Bank, National Association, as administrative agent. Reference is made to Exhibit 10.1 to Form 8-K filed with the Commission on March 9, 2017.
10(ab)	Second Amendment to the Note Purchase Agreement among the Subsidiary Guarantors identified therein and each of the institutions which is a signatory thereto, dated March 8, 2017. Reference is made to Exhibit 10.2 to Form 8-K filed with the Commission on March 9, 2017.
10(ac)	Form of Director Stock Award Agreement under the Amended and Restated 2017 Incentive Stock Plan.* (filed herewith)
10(ad)	Form of 2018 Option Award Agreement under the Amended and Restated 2017 Incentive Stock Plan of Myers Industries, Inc. Reference is made to Exhibit 10(ai) to Form 10-K filed with the Commission on March 9, 2018.*
10(ae)	Form of 2018 Restricted Stock Unit Award Agreement under the Amended and Restated 2017 Incentive Stock Plan of Myers Industries, Inc. Reference is made to Exhibit 10(aj) to Form 10-K filed with the Commission on March 9, 2018.*
10(af)	Form of 2018 Performance Stock Unit Award Agreement under the Amended and Restated 2017 Incentive Stock Plan of Myers Industries, Inc. Reference is made to Exhibit 10(an) to Form 10-K filed with the Commission on March 9, 2018.*
10(ag)	Amended and Restated 2017 Stock Incentive Plan of Myers Industries, Inc. Reference is made to Exhibit 10(ao) to Form 10-K filed with the Commission on March 9, 2018.*
10(ah)	Administrative Settlement Agreement and Order on Consent For Remedial Investigation/Feasibility Study, effective November 27, 2018, by and between the United States Environmental Protection Agency and Buckhorn, Inc. Reference is made to Exhibit 10.1 to Form 8-K filed with the Commission on December 13, 2018.
10(ai)	Executive Nonqualified Excess Plan effective January 1, 2018* (filed herewith)
14	Myers Industries, Inc. Code of Ethics and Business Conduct. Reference is made to Exhibit 14.1 to Form 8-K filed with the Commission on March 6, 2017.
21	List of Direct and Indirect Subsidiaries, and Operating Divisions, of Myers Industries, Inc.
23	Consent of Independent Registered Public Accounting Firm.
31(a)	Certification of R. David Banyard, President and Chief Executive Officer of Myers Industries, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification of Kevin L. Brackman, Executive Vice President and Chief Financial Officer of Myers Industries, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications of R. David Banyard, President and Chief Executive Officer, and Kevin L. Brackman, Executive Vice President and Chief Financial Officer, of Myers Industries, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101	The following financial information from Myers Industries, Inc. Annual Report on Form 10-K for the year ended December 31, 2018, formatted in XBRL includes: (i) Consolidated Statements of Financial Position (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Shareholders' Equity, and (vi) the Notes to Consolidated Financial Statements.

* Indicates executive compensation plan or arrangement.

** Pursuant to Item 601(b)(2) of Regulation S-K, certain exhibits and schedules have been omitted from this filing. The registrant agrees to furnish the Commission on a supplemental basis a copy of any omitted exhibit or schedule.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MYERS INDUSTRIES, INC.

/s/ Kevin L. Brackman
Kevin L. Brackman
Executive Vice President and

Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ R. David Banyard R. DAVID BANYARD	President, Chief Executive Officer and Director (Principal Executive Officer)	March 8, 2019
/s/ Kevin L. Brackman KEVIN L. BRACKMAN	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 8, 2019
/s/ Sarah R. Coffin SARAH R. COFFIN	Director	March 8, 2019
/s/ Ron DeFeo RON DEFEO	Director	March 8, 2019
/s/ William A. Foley WILLIAM A. FOLEY	Director	March 8, 2019
/s/ Lori Lutey	Director	March 8, 2019

LORI LUTEY

/s/ F. Jack Liebau, Jr. F. JACK LIEBAU, JR.	Director	March 8, 2019
/s/ Bruce M. Lisman BRUCE M. LISMAN	Director	March 8, 2019
/s/ Jane Scaccetti JANE SCACCETTI	Director	March 8, 2019
/s/ Robert A. Stefanko ROBERT A. STEFANKO	Director	March 8, 2019

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