As filed with the Securities and Exchange Commission on June 3, 1998

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

CASELLA WASTE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	4953	03-0338873
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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25 Greens Hill Lane

Rutland, Vermont 05701

(802) 775-0325

(Address and telephone number of registrant's principal executive offices)

JOHN W. CASELLA

President, Chief Executive Officer and Chairman

CASELLA WASTE SYSTEMS, INC.

25 Greens Hill Lane

Rutland, Vermont 05701

(802) 775-0325

(Name, address and telephone number of agent for service)

Copies to:

JEFFREY A. STEIN, ESQ.

VIRGINIA KINGSLEY KAPNER, ESQ.

HALE AND DORR LLP

60 State Street

Boston, Massachusetts 02109

Telephone: (617) 526-6000

Telecopy: (617) 526-5000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date hereof.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act Registration number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered	Proposed Maximum Offering Price per Share (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (1)
Class A Common Stock,				

$0.01 par value	272,884 shares	$26.43	$7,212,324.10	$2,127.63

(1) Calculated in accordance with Rule 457(c) under the Securities Act of 1933, as amended based on the average of the high and low sale prices of the Class A Common Stock as reported on the Nasdaq National Market on May 29, 1998.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED JUNE 3, 1998

272,884 Shares

[LOGO] casella

Casella Waste Systems, Inc.
Class A Common Stock
(par value $0.01 per share)

All of the 272,884 shares of Class A Common Stock offered hereby are being sold by the Selling Stockholders. See "Principal and Selling Stockholders". The Company will not receive any of the proceeds from the sale of shares by the Selling Stockholders.

Each share of Class A Common Stock entitles its holder to one vote, whereas each share of Class B Common Stock entitles its holder to ten votes. All of the shares of Class B Common Stock are held by John W. Casella, the President, Chief Executive Officer and Chairman of the Board and Douglas R. Casella, the Vice Chairman of the Board. As of April 30, 1998, such stockholders beneficially owned in the aggregate shares of Class B Common Stock and Class A Common Stock having approximately 55.2% of the outstanding voting power of the Company's Common Stock.

The Class A Common Stock is quoted on the Nasdaq National Market under the symbol "CWST." On June 2, 1998, the last reported sale price of the Class A Common Stock on the Nasdaq National Market was $26.37 per share. See "Market Price of Class A Common Stock".

See "Risk Factors" beginning on page 7 for certain considerations relevant to an investment in the Class A Common Stock.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The shares covered by this Prospectus may be sold from time to time by the Selling Shareholders, or by their pledgees, donees, transferees or other successors in interest, in the over-the-counter market, through the writing of options on the shares, in ordinary brokerage transactions, in negotiated transactions, or otherwise, at market prices prevailing at the time of sale or

at negotiated prices. As of the date of this Prospectus, certain of the shares have been pledged as security for a loan to certain of the Selling Stockholders. See "Plan of Distribution".

The date of this Prospectus is , 1998.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement (which term shall include all amendments, exhibits, schedules and supplements thereto) on Form S-1 under the Securities Act of 1933, as amended with respect to the Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission, to which Registration Statement reference is hereby made. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference. The Registration Statement and the exhibits thereto may be inspected and copied at prescribed rates at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the Commission located at Seven World Trade Center, 13th Floor, New York, New York 10048 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, upon payment of certain fees prescribed by the Commission. The Commission also maintains a World Wide Web site which provides online access to reports, proxy and information statements and other information regarding registrants that file electronically with the Commission at the address "http://www.sec.gov."

This Prospectus contains registered service marks, trademarks and trade names of the Company, including the Casella Waste Systems name and logo.

The Company intends to furnish to its stockholders annual reports containing audited consolidated financial statements and quarterly reports containing unaudited interim financial information for the first three fiscal quarters of each fiscal year of the Company.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE CLASS A COMMON STOCK OF THE COMPANY, INCLUDING OVER-ALLOTMENT, STABILIZING AND SHORT-COVERING TRANSACTIONS IN SUCH CLASS A COMMON STOCK, AND THE IMPOSITION OF A PENALTY BID, IN CONNECTION WITH THE OFFERING. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "PLAN OF DISTRIBUTION".

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and the Consolidated Financial Statements, including the Notes thereto, appearing elsewhere in this Prospectus. For purposes hereof, references to "Common Stock" mean the Class A Common Stock and the Class B Common Stock. See "Description of Capital Stock" and Notes to Consolidated Financial Statements. The Company's fiscal year ends on April 30. References to

a particular fiscal year are to the fiscal year ending on April 30 of that year (e.g., the 1998 fiscal year ended on April 30, 1998). Unless otherwise specified herein, all references to the "Company" or "Casella" mean Casella Waste Systems, Inc. and its subsidiaries, and all references to "solid waste" mean non-hazardous solid waste.

The Company

Casella Waste Systems, Inc. is a regional, integrated, non-hazardous solid waste services company that provides collection, transfer, disposal and recycling services in Vermont, New Hampshire, Maine, upstate New York and northern Pennsylvania. As of April 16, 1998, the Company owned and/or operated four Subtitle D landfills, 39 transfer stations, 16 recycling processing facilities, and 33 collection operations. The Company was founded in 1975 as a single-truck operation in Rutland, Vermont and subsequently expanded its operations throughout the state of Vermont. In 1993, the Company initiated an acquisition strategy to take advantage of anticipated reductions in available landfill capacity in Vermont and surrounding states due to increasing environmental regulation and other market forces driving consolidation in the solid waste industry. From May 1, 1994 through April 30, 1997, the Company acquired ownership of or long-term operating rights to 44 solid waste businesses, including four landfills, and, between May 1, 1997 and March 31, 1998, the Company acquired an additional 33 such businesses. The Company believes that additional acquisition opportunities exist in the markets it serves and in other prospective markets. In May, 1998, the Company acquired a Subtitle D landfill in western upstate New York. See "Recent Landfill Acquisition".

The Company's operating strategy is based on the integration of its collection and disposal operations and the internalization of waste collected. The Company believes that control of a substantial portion of the waste stream and economies of scale provide it with advantages over non-integrated competitors in its markets.

The Company's objective is to continue to grow by expanding its services in markets where it can be one of the largest and most profitable fully-integrated solid waste services companies. The Company intends to continue to pursue this objective by: (i) expanding through acquisitions of collection companies and disposal facilities in new markets and through "tuck-in" acquisitions in existing markets; (ii) generating internal growth in existing markets through increased sales penetration and the marketing of additional services to existing customers; and (iii) implementing operating enhancements and efficiencies.

The principal executive offices of the Company are located at 25 Greens Hill Lane, Rutland, Vermont 05701. The Company's telephone number at such address is (802) 775-0325. Casella Waste Systems, Inc. was incorporated as a Delaware corporation in 1993 as a holding company for various operating subsidiaries.

Risk Factors

Certain risk factors should be considered in evaluating the Company and its business before purchasing the Class A Common Stock offered by this Prospectus. Such factors include, among others, the Company's ability to manage growth, a history of losses, the ability to identify, acquire and integrate acquisition targets, dependence on management, the uncertain ability to finance the Company's growth, limitations on landfill permitting and expansion and geographic concentration. For a discussion of these and certain other factors, see "Risk Factors".

The Offering

Class A Common Stock offered by Selling Stockholders	272,884 shares
Common Stock to be outstanding after this Offering (1):	
Class A Common Stock	10,502,780 shares

Class B Common Stock	988,200 shares
Total	11,490,980 shares
Nasdaq National Market symbol	CWST
Voting Rights	The holders of Class A Common Stock generally have rights identical to holders of Class B Common Stock, except that holders of Class A Common Stock are entitled to one vote per share and holders of Class B Common Stock are entitled to ten votes per share. Holders of all classes of Common Stock generally will vote together as a single class on all matters presented to the stockholders for their vote or approval except that the holders of Class A Common Stock will at all times be entitled to elect at least one director. See "Description of Capital Stock--Common Stock--Voting Rights".

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(1) Consists of the number of shares of Class A Common Stock and Class B Common Stock outstanding on January 31, 1998. Each share of Class B Common Stock is convertible into one share of Class A Common Stock at the option of the holder and may not be transferred to anyone other than a Class B Permitted Holder (as defined). See "Description of Capital Stock". Excludes: (i) 1,470,635 shares of Class A Common Stock issuable upon exercise of stock options outstanding on January 31, 1998 with a weighted average exercise price of $7.30 per share and (ii) an additional 1,060,500 shares reserved for issuance under the Company's 1997 Stock Incentive Plan, 1997 Employee Stock Purchase Plan and 1997 Non-Employee Director Stock Option Plan (collectively, the "Stock Plans"); and (iii) warrants to purchase 190,392 shares of Class A Common Stock at a weighted average exercise price of $4.26 per share. See "Management--Benefit Plans", "Description of Capital Stock" and Note 7 of Notes to Consolidated Financial Statements.

Summary Historical and Pro Forma Consolidated Financial and Operating Data

	Fiscal Year Ended April 30,				
				Restated(5)	
	1993	1994	1995	1996	1997
	(in thousands, except per share data)				
Statement of Operations Data:					
Revenues	$11,375	$13,491	$23,869	$ 42,829	$ 79,532
Cost of operations	7,222	9,640	13,721	25,137	48,057
General and administrative	2,276	2,702	2,909	7,063	12,534
Depreciation and amortization	1,352	1,483	4,815	8,152	13,695
Merger Costs (Pooling)	--	--	--	--	--
Operating income (loss)	525	(334)	2,424	2,477	5,246
Interest expense, net	354	613	1,826	2,617	4,290
Other expense (income), net	(142)	207	36	(90)	923
Income (loss) before provision (benefit) for income taxes, extraordinary items and cumulative effect of change in accounting principle	313	(1,154)	562	(50)	33
Provision (benefit) for income taxes	155	(441)	220	144	452
Extraordinary items	--	--	--	326	--

Change in accounting principle	--	124	--	--	--
Net income (loss)	$ 158	$ (837)	$ 342	$ (520)	$ (419)
Accretion of Preferred Stock and Put Warrants	--	--	(2,380)	(2,967)	(8,530)
Net Income (loss) applicable to common stockholders	$ 158	$ (837)	$(2,038)	$ (3,487)	$ (8,949)
Basic Earnings (loss) per Share of Common Stock	$ 0.08	$ (0.35)	$ (0.70)	$ (1.06)	$ (2.29)
Basic Weighted Average Common Stock Shares Outstanding (3)	1,995	2,355	2,900	3,279	3,913
Diluted Earnings (loss) per Share	$ .08	$ (.35)	$ (.70)	$ (1.06)	$ (2.29)
Diluted Weighted Average Common Stock and Common Stock Equivalent Shares Outstanding (3)	1,995	2,355	2,900	3,279	3,913
Other Operating Data:					
EBITDA (4)	$1,877	$ 1,149	$ 7,239	$ 10,629	$ 18,941
Capital expenditures	$ 597	$ 843	$ 3,731	$ 10,750	$ 16,971
Cash flows from operating activities	$1,632	$ 1,559	$ 4,978	$ 8,642	$ 14,940
Cash flows from investing activities	$ (903)	$(2,270)	$(9,187)	$(28,209)	$(52,816)
Cash flows from financing activities	$ (672)	$ 1,007	$ 4,547	$ 19,272	$ 38,755

	Fiscal Year Ended April 30,	Nine Months Ended January 31,			
	(unaudited) Pro Forma(1)(2) 1997	(unaudited) 1997	(unaudited) 1998	(unaudited) Pro Forma(1)(2) 1998	
	(in thousands, except per share data)				
Statement of Operations Data:					
Revenues	$109,613	$ 56,211	$ 87,321	$88,604	
Cost of operations	69,070	33,293	51,743	52,772	
General and administrative	16,526	8,867	12,729	13,260	
Depreciation and amortization	18,122	9,726	13,412	13,526	
Merger Costs (Pooling)	--	--	290	--	
Operating income (loss)	5,895	4,325	9,147	9,046	
Interest expense, net	3,433	2,903	5,272	3,457	
Other expense (income), net	1,202	105	2	162	
Income (loss) before provision (benefit) for income taxes, extraordinary items and cumulative effect of change in accounting principle	1,260	1,317	3,873	5,427	
Provision (benefit) for income taxes	855	960	1,950	2,581	
Extraordinary items	--	--	--	--	
Change in accounting					

principle	--	--	--	--
Net income (loss)	$ 405	$ 357	$ 1,923	$ 2,846
Accretion of Preferred Stock and Put Warrants	0	(6,004)	(5,738)	0
Net Income (loss) applicable to common stockholders	$ 405	$ (5,647)	$ (3,815)	$ 2,846
Basic Earnings (loss) per Share of Common Stock	$ 0.04	$ (1.51)	$ (0.56)	$ 0.25
Basic Weighted Average Common Stock Shares Outstanding (3)	10,646	3,737	6,755	11,293
Diluted Earnings (loss) per Share	$ 0.04	$ (1.51)	$ (.56)	$ 0.23
Diluted Weighted Average Common Stock and Common Stock Equivalent Shares Outstanding (3)	11,347	3,737	6,755	12,340
Other Operating Data:				
EBITDA (4)	$24,017	$ 14,051	$ 22,559	$22,572
Capital expenditures		$ 13,400	$ 14,876	
Cash flows from operating activities		$ 12,431	$ 11,156	
Cash flows from investing activities		$(47,413)	$(39,325)	
Cash flows from financing activities		$ 36,784	$ 29,125	

	(Unaudited) January 31, 1998
Balance Sheet Data:	
Cash and cash equivalents	$ 2,305
Working capital (deficit)	3,731
Total assets	175,326
Long-term obligations, net of current maturities	64,982
Total stockholders' equity (deficit)	80,869

(1) Pro forma to give effect to the automatic redemption upon the closing of the Company's initial public offering in October 1997 of the Series A Preferred Stock and Series B Preferred Stock with the redemption price applied to the exercise of warrants to purchase 1,811,199 shares of Class A Common Stock and the automatic conversion upon such closing of outstanding shares of Series D Convertible Preferred Stock into 1,922,169 shares of Class A Common Stock.

(2) Pro forma to give effect to: (i) the acquisitions completed during fiscal 1997; (ii) the acquisition of substantially all of the assets of H.C. Gobin, Inc. in fiscal 1998; and (iii) the application of the net proceeds from the Company's recent initial public offering after deducting the underwriting discount and offering expenses paid by the Company, as if each had occurred on May 1, 1996. No pro forma adjustment has been made to (i) the historical amounts for the nine months ended January 31, 1998 to reverse the impact of the loss incurred by H.C. Gobin, Inc. upon the sale

of certain unprofitable operations divested by H.C. Gobin, Inc., prior to its acquisition by the Company, or (ii) the historical amounts for the year ended April 30, 1997 and the nine months ended January 31, 1998 to reduce operating expenses to eliminate specific expenses that the Company believes would not have been incurred had the Gobin acquisition occurred as of May 1, 1996.

(3) Computed on the basis described in Note 2 of Notes to Consolidated Financial Statements.

(4) EBITDA is defined as operating income plus depreciation and amortization. EBITDA does not represent, and should not be considered as, an alternative to net income or cash flows from operating activities, each as determined in accordance with generally accepted accounting principles ("GAAP"). Moreover, EBITDA does not necessarily indicate whether cash flow will be sufficient for such items as working capital or capital expenditures, or to react to changes in the Company's industry or to the economy generally. The Company believes that EBITDA is a measure commonly used by lenders and certain investors to evaluate a company's performance in the solid waste industry. The Company also believes that EBITDA data may help to understand the Company's performance because such data may reflect the Company's ability to generate cash flows, which is an indicator of its ability to satisfy its debt service, capital expenditure and working capital requirements. Because EBITDA is not calculated by all companies and analysts in the same fashion, the EBITDA measures presented by the Company may not be comparable to similarly-titled measures reported by other companies. Therefore, in evaluating EBITDA data, investors should consider, among other factors: the non-GAAP nature of EBITDA data; actual cash flows; the actual availability of funds for debt service, capital expenditures and working capital; and the comparability of the Company's EBITDA data to similarly-titled measures reported by other companies. For more information about the Company's cash flows, see the Consolidated Statement of Cash Flow in the Consolidated Financial Statements.

(5) The Company has issued restated audited consolidated financial statements as of and for fiscal years ended April 30, 1995, 1996 and 1997 to reflect the merger with All Cycle Waste, Inc. and Winters Brothers Inc. consummated on December 19, 1997, accounted for using the pooling of interests method of accounting.

RISK FACTORS

In addition to the other information in this Prospectus, the following risk factors should be considered carefully in evaluating the Company and its business before purchasing the shares of Class A Common Stock offered by this Prospectus. This Prospectus may contain forward-looking statements within the meaning of Section 27A of the Securities Act, which represent the Company's expectations and beliefs with respect to, among other things, the Company's future revenues, operating income, or earnings per share. Without limiting the foregoing, any statements contained in this Prospectus that are not statements of historical fact may be deemed to be forward-looking statements, and the words "believes", "anticipates", "plans", "expects", and similar expressions are intended to identify forward-looking statements. There are a number of factors of which the Company is aware that may cause the Company's actual results to vary materially from those forecast or projected in any such forward-looking statement, certain of which are beyond the Company's control. These factors include, without limitation, those described in this "Risk Factors" section. The Company's failure to successfully address any of these factors could have a material adverse effect on the Company's results of operations.

Ability to Manage Growth

The Company's objective is to continue to grow by expanding its services in markets where it can be one of the largest and most profitable fully-integrated solid waste services companies. Consequently, the Company may experience periods of rapid growth. Such growth, if it were to occur, could place a significant strain on the Company's management and on its operational, financial and other resources. Any failure to expand its operational and

financial systems and controls or to recruit appropriate personnel in an efficient manner at a pace consistent with such growth would have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Strategy".

History of Losses

The Company incurred net losses in fiscal 1997 and fiscal 1996. The net loss was $419,123 in fiscal 1997 (including non-recurring expenses of approximately $650,000 incurred in connection with the settlement of certain litigation naming the Company), and $519,541 in fiscal 1996 (including the write-off of unamortized issuance costs of $326,308 (net of $168,098 income tax benefit) associated with certain subordinated debt). As of January 31, 1998, the Company's accumulated deficit was approximately $14.9 million. Although the Company was profitable in the nine months ended January 31, 1998, there can be no assurance that the Company will be profitable in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Ability to Identify, Acquire and Integrate Acquisition Targets

To date, the Company has grown principally through acquiring and integrating independent solid waste collection, transfer and disposal operations. The Company's strategy envisions that a substantial part of the Company's future growth will come from acquiring and integrating similar operations. There can be no assurance that the Company will be able to identify suitable acquisition candidates and, once identified, to negotiate successfully their acquisition at a price or on terms and conditions favorable to the Company, or to integrate the operations of such acquired businesses with the Company. In addition, the Company competes for acquisition candidates with other entities, some of which have greater financial resources than the Company. Failure by the Company to implement successfully its acquisition strategy would limit the Company's growth potential. See "Business--Strategy" and "--Acquisition Program".

The consolidation and integration activity in the solid waste industry in recent years, as well as the difficulties, uncertainties and expenses relating to the development and permitting of solid waste landfills and transfer stations, has increased competition for the acquisition of existing solid waste collection, transfer and disposal operations. Increased competition for acquisition candidates may result in fewer acquisition opportunities being made available to the Company as well as less advantageous acquisition terms, including increased purchase prices. The Company also believes that a significant factor in its ability to consummate acquisitions will be the relative attractiveness of shares of the Company's Class A Common Stock as consideration for potential acquisition candidates. This attractiveness may, in large part, be dependent upon the relative market price and capital appreciation prospects of the Class A

Common Stock compared to the equity securities of the Company's competitors. If the market price of the Company's Class A Common Stock were to decline, the Company's acquisition program could be materially adversely affected.

The successful integration of acquired businesses is important to the Company's future financial performance. The anticipated benefits from any acquisition may not be achieved unless the operations of the acquired businesses are successfully combined with those of the Company in a timely manner. The integration of any of the Company's acquisitions requires substantial attention from management. The diversion of the attention of management, and any difficulties encountered in the transition process, could have an adverse impact on the Company's business, financial condition and results of operations. Although the Company has successfully identified and closed acquisitions and integrated them into its organization and operations in the past, there can be no assurance that it will be able to do so in the future.

Dependence on Management

The Company is highly dependent upon the services of the members of its senior management team, the loss of any of whom may have a material adverse effect on the Company's business, financial condition and results of

operations. The Company currently maintains "key man" life insurance with respect to John W. Casella, the President, Chief Executive Officer and Chairman, and James W. Bohlig, the Senior Vice President and Chief Operating Officer, in the amount of $1.0 million each. See "Management--Executive Officers, Directors and Certain Key Employees".

In addition, the Company's future success depends on its continuing ability to identify, hire, train, motivate and retain highly qualified personnel. Competition for such personnel is intense, and there can be no assurance that the Company will be able to attract, assimilate or retain highly qualified personnel in the future. The inability to attract and retain the necessary personnel could have a material adverse effect upon the Company's business, financial condition and results of operations.

Uncertain Ability to Finance the Company's Growth

The Company anticipates that any future business acquisitions will be financed through cash from operations, borrowings under its bank line of credit, the issuance of shares of the Company's Class A Common Stock and/or seller financing. If acquisition candidates are unwilling to accept, or the Company is unwilling to issue, shares of the Company's Class A Common Stock as part of the consideration for such acquisition, the Company would be required to utilize more of its available cash resources or borrowings under its credit facility in order to effect such acquisitions. To the extent that cash from operations or borrowings under the Company's bank line of credit is insufficient to fund such requirements, the Company will require additional equity and/or debt financing in order to provide the cash to effect such acquisitions. Additionally, growth through the development or acquisition of new landfills, transfer stations or other facilities, as well as the ongoing maintenance of such landfills, transfer stations or other facilities, may require substantial capital expenditures. There can be no assurance that the Company will have sufficient existing capital resources or will be able to raise sufficient additional capital resources on terms satisfactory to the Company, if at all, in order to meet any or all of the foregoing capital requirements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources".

The terms of the Company's revolving line of credit require the Company to obtain the consent of the lending banks prior to consummating acquisitions of other businesses for cash consideration (including all liabilities assumed) in excess of $10.0 million. Furthermore, the revolving line of credit contains various financial covenants predicated on the Company's present and projected financial condition. In the event future operations differ materially from that which is anticipated, the Company may no longer be able to meet the tests provided in the covenants contained in the revolving line of credit. A failure to meet such covenants or the occurrence of other events may result in a default under such line of credit. A default could result in acceleration of the repayment of the debt incurred thereunder which could have a material adverse effect upon the Company's business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources".

The Company is considering undertaking an underwritten public offering of its Class A Common Stock in the first half of fiscal 1999. Any such offering is subject to a number of conditions, including the approval of the Company's Board of Directors and prevailing market conditions. There can be no assurance that any such offering will be undertaken, or that, if undertaken, it will be successfully completed. In addition, there can be no assurance that the announcement of the filing of such registration statement or the offer or sale of such shares will not adversely affect prevailing market prices of the Company's Class A Common Stock.

Limitations on Landfill Permitting and Expansion

The Company's operating program depends on its ability to expand the landfills it owns and leases and to develop new landfill sites. As of March 31, 1998, the estimated total remaining permitted disposal capacity of the four landfills operated by the Company was approximately 1,600,000 tons, with approximately 6,464,000 additional tons of disposal capacity in various stages of permitting. In addition, in May 1998, the Company acquired a fifth Subtitle D landfill, which had permitted capacity as of the date of acquisition of

approximately 1,800,000 tons. In some areas, suitable land for new sites or expansion of the Company's existing landfill sites may be unavailable. There can be no assurance that the Company will be successful in obtaining new landfill sites or expanding the permitted capacity of any of its current landfills once its remaining disposal capacity has been consumed. The Company's landfill in Vermont is subject to state regulations and practices that generally do not allow permits for more than five years of expected annual capacity. The process of obtaining required permits and approvals to operate and expand solid waste management facilities, including landfills and transfer stations, has become increasingly difficult and expensive, often taking several years, requiring numerous hearings and compliance with zoning, environmental and other requirements, and often being subject to resistance from citizen, public interest or other groups. There can be no assurance that the Company will succeed in obtaining or maintaining the permits it requires to expand or that such permits will not contain onerous terms and conditions. Even when granted, final permits to expand are often not approved until the remaining permitted disposal capacity of a landfill is very low. Furthermore, local laws and ordinances also may affect the Company's ability to obtain permits to expand its landfills. The town of Bethlehem, New Hampshire, where one of the landfills operated by the Company is located, has an ordinance which prohibits the expansion of any landfills not operated by the town of Bethlehem. A proposal to amend this ordinance was defeated by Bethlehem voters in March 1997 and March 1998, and it is not anticipated that another vote will take place until at least March 1999. The estimated total remaining permitted disposal capacity of the landfill may be exhausted before the next vote takes place. In addition, the town of Angelica, New York has adopted certain laws which would prohibit the expansion of the Hyland landfill and which would limit the types of waste that can be disposed of at that facility, and certain phases of expansion at the Company's SERF landfill in Hampden, Maine will require the town of Hampden to amend a local ordinance. In the event the Company exhausts its permitted capacity at a landfill, in addition to limiting its ability to expand internally, the Company would be required to cap and close that landfill and the Company could be forced to dispose of collected waste at more distant landfills or at landfills operated by its competitors. The resulting increased cost could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Operations--Landfills".

Geographic Concentration Risks

The Company's operations and customers are located in Vermont, New Hampshire, Maine, upstate New York and northern Pennsylvania. Therefore, the Company's business, financial condition and results of operations are susceptible to downturns in the general economy in this geographic region and other factors affecting the region such as state regulations and severe weather conditions. In addition, as the Company expands in its existing markets, opportunities for growth within these regions will become more limited. The costs and time involved in permitting and the scarcity of available landfills will make it difficult for the Company to expand vertically in these markets. There can be no assurance that the Company will complete a sufficient number of acquisitions in other markets to lessen its geographic concentration. See "Business--Service Area".

Seasonality of Business Impacts Quarterly Operating Results

The Company's revenues have historically been lower during the months of November through March. This seasonality reflects the lower volume of solid waste during the late fall, winter and early spring months primarily because: (i) the volume of solid waste relating to construction and demolition activities decreases substantially during the winter months in the northeastern United States, and (ii) decreased tourism in Vermont, Maine and eastern New York during the winter months tends to lower the volume of solid waste generated by commercial and restaurant customers, which is partially offset by the winter ski industry. Since certain of the Company's operating and fixed costs remain constant throughout the fiscal year, operating income is therefore impacted by a similar seasonality. In addition, particularly harsh weather conditions could result in increased operating costs to certain of the Company's operations. There can be no assurance that future seasonal and quarterly fluctuations will not have a material adverse effect on the Company's business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Fluctuations in Quarterly Results; Potential Stock Price Volatility

The Company believes that period-to-period comparisons of its operating results should not be relied upon as an indication of future performance. Due to a variety of factors, including general economic conditions, governmental regulatory action, acquisitions, capital expenditures and other costs related to the expansion of operations and services and pricing changes (including the market price of commodities such as recycled materials), it is possible that in some future quarter the Company's operating results will be below the expectations of public market analysts and investors. In such event, the Company's Class A Common Stock price could be materially adversely affected. The market price of the Class A Common Stock may be highly volatile and is likely to be affected by factors such as actual or anticipated fluctuations in the Company's operating results, announcements of new acquisitions or contracts by the Company, its competitors or their customers, government regulatory action, general market conditions and other factors. Also, the market price of the Class A Common Stock may be affected by factors affecting the waste management industry in which the Company competes. In addition, the stock market has from time-to-time experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies whose securities are publicly traded; yet, these broad market fluctuations may also adversely affect the market price of the publicly traded securities of such companies, including the Company's Class A Common Stock. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been commenced against such companies. There can be no assurance that such litigation will not occur in the future with respect to the Company. Such litigation could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business, financial condition and results of operations. Any adverse determination in such litigation could also subject the Company to significant liabilities.

Highly Competitive Industry

The solid waste services industry is highly competitive and fragmented, and requires substantial labor and capital resources. Certain of the markets in which the Company competes or will likely compete are served by one or more of the large national solid waste companies, as well as numerous regional and local solid waste companies of varying sizes and resources. The Company also competes with operators of alternative disposal facilities, including incinerators, and with counties, municipalities, and solid waste districts that maintain their own waste collection and disposal operations. These counties, municipalities, and solid waste districts may have financial advantages due to the availability to them of user fees, similar charges or tax revenues and the greater availability to them of tax-exempt financing. Intense competition exists not only to provide services to customers but also to acquire other businesses within each market. Certain of the Company's competitors have significantly greater financial and other resources than the Company. From time to time, these or other competitors may reduce the price of their services in an effort to expand market share or to win a competitively bid municipal contract. These practices may either require the Company to reduce the pricing of its services or result in the Company's loss of business. As is generally the case in the industry, municipal contracts are subject to periodic competitive bidding. There can be no assurance that the Company will be the successful bidder to obtain or retain these contracts.

The Company's inability to compete with larger and better capitalized companies, or to replace municipal contracts lost through the competitive bidding process with comparable contracts or other revenue sources within a reasonable time period, could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Competition".

Comprehensive Government Regulation

The Company is subject to extensive and evolving environmental, zoning and other laws and regulations which have become increasingly stringent in recent years. These laws and regulations impose substantial costs on the Company and affect the Company's business in many ways, including as set forth below and under "Business--Regulation".

In connection with its ownership and operation of landfills and transfer

stations, the Company is required to obtain, comply with and maintain in effect one or more licenses or permits as well as zoning, environmental and/or other land use approvals. These licenses or permits and approvals are difficult and time consuming to obtain and renew and are frequently opposed by public officials, groups of private citizens, or both. There can be no assurance that the Company will succeed in obtaining, complying with and maintaining in effect the permits and approvals required for the continued operation and growth of its landfills and transfer stations, and the failure of the Company to obtain, comply with or maintain in effect a permit or approval significant to its landfills or transfer stations could have a material adverse effect on the Company's business, financial condition and results of operations.

The design, construction, operation and closure of landfills is extensively regulated. These include, among others, the regulations establishing minimum Federal requirements promulgated by the U.S. Environmental Protection Agency ("EPA") in October 1991 under Subtitle D (the "Subtitle D Regulations") of the Resource Conservation and Recovery Act of 1976 (the "RCRA"). Government assertions that the Company failed to comply with regulations has resulted in the payment by the Company of three civil penalties (in the aggregate less than $100,000 in its 23-year operating history). Failure to comply with these regulations could require the Company to undertake costly and time consuming investigatory or remedial activities, to curtail operations, to close a landfill temporarily or permanently, and to defend itself against enforcement actions brought by and pay civil penalties imposed by EPA or state regulatory agencies. Changes in these regulations could require the Company to modify, supplement or replace equipment or facilities at costs which may be substantial. The failure of regulatory agencies to enforce these regulations vigorously or consistently may give an advantage to competitors of the Company whose facilities do not comply with the Subtitle D Regulations or their state counterparts. The Company's financial obligations arising from any failure to comply with these regulations could have a material adverse effect on the Company's business, financial condition and results of operations.

Certain licenses, permits and approvals may limit the types of waste the Company may accept at a landfill or the quantity of waste it may accept at a landfill during a given time period. In addition, certain licenses, permits and approvals, as well as certain state and local regulations, may seek to limit a landfill to accepting waste that originates only from specified geographic areas or seek to prohibit the landfill from importing out-of-state waste or otherwise discriminate against waste originating outside of a defined geographic area. The Company's Clinton County landfill is not permitted to receive waste from certain geographic regions in New York. Generally, restrictions on importing out-of-state waste have not withstood judicial challenge. However, from time to time, Federal legislation is proposed which would allow individual states to prohibit the disposal of out-of-state waste or to limit the amount of out-of-state waste that could be imported for disposal and would require states, under certain circumstances, to reduce the amounts of waste exported to other states. Although no such Federal legislation has been enacted, if such Federal legislation should be enacted in the future, states in which the Company operates landfills could act to limit or prohibit the Company from importing out-of-state waste. Such actions could adversely affect any of the Company's landfills that receive a significant portion of waste originating from other states and thereby have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, certain states and localities may for economic or other reasons restrict the export of waste from their jurisdiction or require that a specified amount of waste be disposed of at facilities within their jurisdiction. In 1994, the United States Supreme Court held unconstitutional, and therefore invalid, a local

ordinance that sought to limit the amount of waste that could be taken out of the locality. However, certain state and local jurisdictions continue to seek to enforce such restrictions and, in certain cases, the Company may elect not to challenge such restrictions. In addition, the aforementioned Federal legislation that has from time to time been proposed could, if enacted, allow states and localities to impose flow control restrictions. These restrictions could reduce the volume of waste going to landfills in certain areas, which may adversely affect the Company's ability to operate its landfills at their full capacity and/or affect the prices that the Company can charge for landfill disposal services. These restrictions may also result in higher disposal costs

for the Company's collection operations. If the Company were unable to pass such higher costs through to its customers, the Company's business, financial condition and results of operations could be materially adversely affected.

Businesses that provide waste services, including the Company, are frequently subject in the normal course of operations to judicial and administrative proceedings involving Federal, state or local agencies or citizens' groups. These proceedings, based on violations or alleged violations of environmental laws or regulations, may seek to impose fines or penalties on the Company or to revoke, suspend, modify or deny renewal of the Company's operating permits, approvals or licenses, or require that the Company make expenditures to remediate potential environmental problems relating to waste transported, disposed of or stored by the Company or its predecessors, or resulting from its or its predecessors' operations. Any adverse outcome in these proceedings could have a material adverse effect on the Company's business, financial condition and results of operations and may subject the Company to adverse publicity. The Company also may be subject to actions brought by individuals or community groups in connection with the permitting, approving or licensing of its operations, alleged violation of such permits, approvals or licenses or other matters. See "--Potential Environmental Liability".

Potential Environmental Liability

The Company may be subject to liability for environmental damage, including personal injury and property damage, that its solid waste facilities may cause to neighboring property owners, particularly as a result of the contamination of drinking water sources or soil, possibly including damage resulting from conditions existing or commencing before the Company acquired the facilities. The Company may also be subject to liability for similar claims arising from off-site environmental contamination caused by pollutants or hazardous substances if the Company or its predecessors arranged to transport, treat or dispose of those materials. Any substantial liability incurred by the Company arising from environmental damage could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Regulation".

The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), imposes strict, joint and several liability on the present owners and operators of facilities from which a release of hazardous substances into the environment has occurred, as well as any party that owned or operated the facility at the time of disposal of the hazardous substances, regardless of when the hazardous substance was first detected. Similar liability is imposed upon the generators of waste which contains hazardous substances and upon hazardous substance transporters that select the treatment, storage or disposal site. All such persons, who are referred to as potentially responsible parties ("PRPs"), generally are jointly and severally liable for the expense of waste site investigation, waste site cleanup costs and natural resource damages, regardless of whether they exercised due care and complied with all relevant laws and regulations. These costs can be very substantial. Furthermore, such liability can be based upon the existence of only very small amounts of "hazardous substances", as defined in CERCLA, which is a much broader category of substances than "hazardous wastes", as defined in RCRA. The states in which the Company operates have laws similar to CERCLA which also impose environmental liability on broad classes of parties. Although the Company is not in the business of transporting or disposing of hazardous waste, it is possible that hazardous substances have in the past, or may in the future, come to be located in landfills with which the Company has been associated as a generator or transporter of waste or as an owner or operator of the landfill. If EPA ever determines that remedial measures under CERCLA or RCRA are appropriate at any of these sites or operations, if a state agency makes such a finding under similar state law, or if a third party brings a private cost-recovery or contribution action with respect to remedial costs incurred, the Company could be subject to substantial liability which could have

a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Regulation".

With respect to each business that the Company acquires or has acquired, there may be liabilities that the Company fails to or is unable to discover,

including liabilities arising from waste transportation or disposal activities or noncompliance with environmental laws by prior owners, and for which the Company, as a successor owner, may be legally responsible. Representations, warranties and indemnities from the sellers of such businesses, if obtained and if legally enforceable, may not cover fully the resulting environmental or other liabilities due to their limited scope, amount or duration, the financial limitations of the warrantor or indemnitor or other reasons. Certain environmental liabilities, even though expressly not assumed by the Company, may nonetheless be imposed on the Company under certain legal theories of successor liability, particularly under CERCLA. The Company's insurance program does not cover liabilities associated with any environmental cleanup or remediation of the Company's own sites. An uninsured claim against the Company, if successful and of sufficient magnitude, could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Acquisition Program".

Potential Inadequacy of Accruals for Closure and Post-Closure Costs

The Company will have material financial obligations relating to closure and post-closure costs of its existing landfills and any disposal facilities which it may own or operate in the future. In addition to the landfills currently operated by the Company, the Company owns and/or operated five unlined landfills which are not currently in operation. Three of these landfills have been closed and capped by the Company, and a fourth is in the final stages of obtaining governmental closure design approval. The fifth unlined landfill, a municipal landfill which is adjacent to the Subtitle D Clinton County landfill being operated by the Company, was operated by the Company from July 1996 through July 1997. The Company completed the closure and capping activities at this landfill in September 1997. Clinton County has indemnified the Company for environmental liabilities arising from materials disposed of at that unlined landfill prior to its operation by the Company. The Company has provided and will in the future provide accruals for financial obligations relating to closure and post-closure costs of its owned or operated landfills (generally for a term of 30 years after final closure of a landfill) based on engineering estimates of consumption of permitted landfill airspace over the useful life of any such landfill. There can be no assurance that the Company's financial obligations for closing or post-closing costs will not exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds established for such purpose. Such a circumstance could have a material adverse effect on the Company's business, financial condition and results of operation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Operations--Landfills".

Inability to Obtain Performance or Surety Bonds, Letters of Credit or Insurance

Municipal solid waste collection contracts and landfill closure obligations may require performance or surety bonds, letters of credit, or other means of financial assurance to secure contractual performance. If the Company were unable to obtain performance or surety bonds or letters of credit in sufficient amounts or at acceptable rates, it could be precluded from entering into additional municipal solid waste collection contracts or obtaining or retaining landfill operating permits. Any future difficulty in obtaining insurance could also impair the Company's ability to secure future contracts conditioned upon the contractor having adequate insurance coverage. Accordingly, the failure of the Company to obtain performance or surety bonds, letters of credit, or other means of financial assurance or to maintain adequate insurance coverage could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Risk Management, Insurance and Performance or Surety Bonds".

Incurrence of Charges Related to Capitalized Expenditures

In accordance with generally accepted accounting principles, the Company capitalizes certain expenditures and advances relating to acquisitions, pending acquisitions and landfills. Indirect acquisition costs, such as executive salaries, general corporate overhead, public affairs and other corporate services, are expensed as incurred. The Company's policy is to charge against earnings any unamortized

capitalized expenditures and advances (net of any portion thereof that the Company estimates will be recoverable, through sale or otherwise) relating to

any operation that is permanently shut down, any pending acquisition that is not consummated and any landfill development project that is not expected to be successfully completed. Therefore, the Company may be required to incur a charge against earnings in future periods, which charge, depending upon the magnitude thereof, could have a material adverse effect on the Company's business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Control by Casellas and Anti-takeover Effect of Class B Common Stock

The holders of Class B Common Stock of the Company are entitled to ten votes per share, whereas the holders of Class A Common Stock are entitled to one vote per share. As of April 30, 1998, an aggregate of 988,200 shares of Class B Common Stock, representing 9,882,000 votes (48.5% of the aggregate votes to be cast), were outstanding, all of which were beneficially owned by John W. Casella, the President, Chief Executive Officer and Chairman of the Board of Directors of the Company, and by Douglas R. Casella, the Vice Chairman of the Board of Directors of the Company (together, the "Casellas"), and together with the shares of Class A Common Stock beneficially owned by them, the Casellas beneficially owned shares as of such date representing approximately 55.2% of the aggregate votes to be cast. As a result, the Casellas, if acting together, will be able to control the election of all but one member of the Board of Directors and the outcome of other matters submitted for stockholder consideration, including, without limitation, matters involving the control of the Company, irrespective of how other stockholders may vote. This concentration of ownership and voting control may have the effect of delaying or preventing a change of control of the Company which may be favored by the Company's other stockholders. There can be no assurance that the Casellas' ability to prevent or cause a change in control of the Company will not have a material adverse effect on the market price of the Class A Common Stock. Shares of Class B Common Stock will automatically convert into shares of Class A Common Stock in the event they cease to be held by Class B Permitted Holders (as defined) and under certain other circumstances. The Casellas have certain contractual relationships with the Company. See "Certain Transactions" for a discussion of contractual relations between the Casellas and the Company. See also "Principal and Selling Stockholders" and "Description of Capital Stock".

Anti-Takeover Effect of Certain Charter and By-Law Provisions and Delaware Law

The Company's Amended and Restated Certificate of Incorporation (the "Restated Certificate of Incorporation") and Amended and Restated By-Laws (the "Restated By-Laws") provide for the Company's Board to be divided into three classes of directors serving staggered three-year terms. As a result, beginning in 1998, approximately one-third of the Company's Board will be elected each year. The classified board is designed to ensure continuity and stability in the board's composition and policies in the event of a hostile takeover attempt or proxy contest. The classified board would extend the time required to effect any changes in control of the Company's Board and may tend to discourage any hostile takeover bid for the Company. Because only a minority of the directors will be elected at each annual meeting, it would normally take at least two annual meetings for holders of even a significant majority of the Company's voting stock to effect a change in the composition of a majority of the Company's Board, absent approval of the Company's Board. Because of the additional time required to change the composition of the Company's Board, a classified board may also make the removal of incumbent management more difficult, even if such removal would be beneficial to stockholders generally, and may tend to discourage certain tender offers.

The authorized capital of the Company includes 1,000,000 shares of "blank check" Preferred Stock. The Board of Directors has the authority to issue shares of Preferred Stock and to determine the price, designation, rights, preferences, privileges, restrictions and conditions, including voting and dividend rights, of these shares of Preferred Stock without any further vote or action by the stockholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of holders of any Preferred Stock that may be issued in the future. The issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could make it more difficult for a third party to acquire a majority of the outstanding voting stock of the Company. The Company has no present plans to issue any Preferred Stock. See "Description of Capital Stock".

The Company's Restated Certificate of Incorporation and Restated By-Laws provide that any action required or permitted to be taken by stockholders of the Company must be effected at a duly called annual or special meeting of stockholders and may not be effected by written consent, and require reasonable advance notice and other procedures to be followed by a stockholder in connection with a proposal or director nomination which such stockholder desires to present at any annual or special meeting of stockholders. Special meetings of stockholders may be called only by the President of the Company or by the Board of Directors. The Restated Certificate of Incorporation and Restated By-Laws provide that members of the Board of Directors may be removed only upon the affirmative vote of holders of shares representing at least 75% of the votes entitled to be cast. The Company is subject to the anti-takeover provision of Section 203 of the Delaware General Corporation Law, which will prohibit the Company from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change of control of the Company. These provisions, and the provisions of the Restated Certificate of Incorporation and Restated By-Laws, may have the effect of deterring hostile takeovers or delaying or preventing changes in control or management of the Company, including transactions in which stockholders might otherwise receive a premium for their shares over then current market prices. In addition, these provisions may limit the ability of stockholders to approve transactions that they may deem to be in their best interests. See "Description of Capital Stock--Preferred Stock" and "--Delaware Law and Certain Charter and By-Law Provisions".

No Dividends

The Company does not anticipate paying any cash dividends on the Common Stock in the foreseeable future. The Company's revolving line of credit restricts the payment of dividends. See "Dividend Policy".

RECENT LANDFILL ACQUISITION

On May 4, 1998, the Company announced that it had closed on the purchase of the Hyland landfill, a Subtitle D landfill located in western upstate New York. The landfill, located in Angelica, Allegheny County, has approximately 1,800,000 tons of permitted capacity and is permitted to accept 156,000 tons of municipal solid waste annually.

The Hyland landfill is subject to a number of limitations imposed by local laws. In 1988, the Town of Angelica passed an ordinance which prohibits waste disposal facilities from operating in that town. Pursuant to the terms of a settlement between the town and the operators of the Hyland landfill in 1996, the Hyland landfill was grandfathered under that ordinance; however, no clarification has been sought or received as to whether the landfill's grandfathered status is limited to currently permitted capacity or would extend to capacity which may be permitted in the future. In addition, in 1998 the Town of Angelica passed a law which would prohibit the expansion of the Hyland facility, require the Hyland landfill and the operator thereof to receive a permit to continue to operate, prevent the disposal of yard waste and certain types of industrial waste and impose certain other restrictions on the Hyland facility. On May 12, 1998, the Company filed suit in New York Supreme Court, Allegheny County against the Town of Angelica seeking a temporary restraining order and preliminary injunctive relief against the Town's enforcement of this local law. A temporary restraining order was granted by the court on May 14, 1998.

USE OF PROCEEDS

The Company will not receive any proceeds from the sale of shares of Class A Common Stock by the Selling Stockholders hereunder. See "Principal and Selling Stockholders".

DIVIDEND POLICY

No dividends have ever been declared or paid on the Company's capital stock and the Company does not anticipate paying any cash dividends on the Common Stock in the foreseeable future. The Company's revolving line of credit restricts the payment of dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

MARKET PRICE OF CLASS A COMMON STOCK

The Company's Common Stock began trading on the Nasdaq National Market under the symbol "CWST" on October 29, 1997. Prior to such date, there was no established public trading market for the Company's Class A Common Stock. The following table sets forth the high and low sale prices of the Company's Class A Common Stock for the periods indicated as quoted on the Nasdaq National Market.

Period	High	Low
Fiscal 1998		
Second quarter (commencing October 29, 1997)	$ 22.75	$ 20.25
Third quarter	$ 26.37	$ 19.00
Fourth quarter	$ 34.00	$ 23.75
Fiscal 1999		
First quarter (through June 1, 1998)	$ 30.75	$ 26.25

On June 1, 1998, the high and low sale prices per share of the Company's Class A Common Stock as quoted on the Nasdaq National Market were $26.75 and $26.50, respectively. As of May 29, 1998 there were approximately one hundred and eighty-eight holders of record of the Company's Class A Common Stock.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following selected consolidated financial and operating data set forth below with respect to the Company's consolidated statements of operations for the fiscal years ended April 30, 1995, 1996 and 1997, and for the unaudited nine months ended January 31, 1997 and 1998, and the consolidated balance sheets as of April 30, 1996 and 1997 and as of January 31, 1998 are derived from the financial statements of the Company included elsewhere in this Prospectus, and the consolidated statement of operations data for the fiscal year ended April 30, 1994 and the consolidated balance sheet data as of April 30, 1994 and 1995 are derived from the Company's consolidated financial statements, which statements have been audited by Arthur Andersen LLP. The data presented as of and for the fiscal year ended April 30, 1993 and for the unaudited nine months ended January 31, 1997 are derived from the Company's unaudited consolidated financial statements not included herein, which have been prepared on the same basis as the audited financial statements of the Company and, in the opinion of the Company, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of such data. The results for the unaudited nine months ended January 31, 1998 are not necessarily indicative of results to be expected for the full year. In December 1997, the Company acquired a waste collection and transfer operation in a transaction recorded as a pooling of interests. Under the rules governing poolings of interest, the prior period and year to date financial statements of the Company have been restated to reflect the financial position, results of operations and cash flows of the merged entities as if they had been one company for all periods presented in the accompanying financial statements. The data set forth below should be read in conjunction with the Unaudited Pro Forma Consolidated Statement of Operations and Notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus.

	Fiscal Year Ended April 30,				
			Restated(6)		
	1993	1994	1995	1996	1997
	(in thousands)				
Statement of Operations Data:					
Revenues	$11,375	$ 13,491	$ 23,869	$ 42,829	$ 79,532
Cost of operations	7,222	9,640	13,721	25,137	48,057
General and administrative	2,276	2,702	2,909	7,063	12,534
Depreciation and amortization	1,352	1,483	4,815	8,152	13,695
Merger Costs (Pooling)	--	--	--	--	--
Operating income (loss)	525	(334)	2,424	2,477	5,246
Interest expense, net	354	613	1,826	2,617	4,290
Other expense (income), net	(142)	207	36	(90)	923
Income (loss) before provision (benefit) for income taxes, extraordinary items and cumulative effect of change in accounting principle	313	(1,154)	562	(50)	33
Provision (benefit) for income taxes	155	(441)	220	144	452
Extraordinary items	--	--	--	326	--
Change in accounting principle	--	124	--	--	--
Net income (loss)	$ 158	$ (837)	$ 342	$ (520)	$ (419)
Accretion of Preferred Stock and Put Warrants	--	--	(2,380)	(2,967)	(8,530)
Net Income (loss) applicable to common stockholders	$ 158	$ (837)	$ (2,038)	$ (3,487)	$ (8,949)

	Fiscal Year Ended April 30,	Nine Months Ended January 31,		
	(unaudited) Pro Forma(1)(2)	(unaudited)	(unaudited)	(unaudited) Pro Forma(1)(2)
	1997	1997	1998	1998
	(in thousands)			
Statement of Operations Data:				
Revenues	$109,613	$ 56,211	$ 87,321	$88,604
Cost of operations	69,070	33,923	51,743	52,772
General and administrative	16,526	8,867	12,729	13,260
Depreciation and amortization	18,122	9,726	13,412	13,526
Merger Costs (Pooling)	--	--	290	--
Operating income (loss)	5,895	4,325	9,147	9,046
Interest expense, net	3,433	2,903	5,272	3,457
Other expense (income), net	1,202	105	2	162
Income (loss) before provision (benefit) for income taxes,				

extraordinary items and cumulative effect of change in accounting principle	1,260	1,317	3,873	5,427
Provision (benefit) for income taxes	855	960	1,950	2,581
Extraordinary items	--	--	--	--
Change in accounting principle	--	--	--	--
Net income (loss)	405	$ 357	$ 1,923	2,846
Accretion of Preferred Stock and Put Warrants	--	(6,004)	(5,738)	--
Net Income (loss) applicable to common stockholders	$ 405	$ (5,647)	$ (3,815)	$ 2,846

	Fiscal Year Ended April 30,				
			Restated(6)		
	1993	1994	1995	1996	1997
Basic Earnings (loss) per Share of Common Stock	$ 0.08	$ (0.35)	$ (0.70)	$ (1.06)	$ (2.29)
Basic Weighted Average Common Stock Shares Outstanding (3)	1,995	2,355	2,900	3,279	3,913
Diluted Earnings (loss) per Share	$ 0.08	$ (0.35)	$ (0.70)	$ (1.06)	$ (2.29)
Diluted Weighted Average Common Stock and Common Stock Equivalent Shares Outstanding (3)	1,995	2,355	2,900	3,279	3,913
Other Operating Data:					
EBITDA(4)	$1,877	$ 1,149	$ 7,239	$ 10,629	$ 18,941
Capital expenditures	$ 597	$ 843	$ 3,731	$ 10,750	$ 16,971
Cash flows from operating activities	$1,632	$ 1,559	$ 4,978	$ 8,642	$ 14,940
Cash flows from investing activities	$ (903)	$ (2,270)	$ (9,187)	$ (28,209)	$ (52,816)
Cash flows from financing activities	$ (672)	$ 1,007	$ 4,547	$ 19,272	$ 38,755

	Fiscal Year Ended April 30,	Nine Months Ended January 31,		
	(unaudited) Pro Forma(1)(2) 1997	(unaudited) 1997	(unaudited) 1998	(unaudited) Pro Forma(2) 1998
Basic Earnings (loss) per Share of Common Stock	$ 0.04	$ (1.51)	$ (0.56)	$ 0.25
Basic Weighted Average				

Common Stock Shares Outstanding (3)	10,646	3,737	6,755	11,293
Diluted Earnings (loss) per Share	$ 0.04	$ (1.51)	$ (0.56)	$ 0.23
Diluted Weighted Average Common Stock and Common Stock Equivalent Shares Outstanding (3)	11,347	3,737	6,755	12,340
Other Operating Data:				
EBITDA(4)	$24,017	$ 14,051	$ 22,559	$22,572
Capital expenditures		$ 13,400	$ 14,876	
Cash flows from operating activities		$ 12,431	$ 11,156	
Cash flows from investing activities		$ (47,413)	$ (39,325)	
Cash flows from financing activities		$ 36,784	$ 29,125	

	Fiscal Year Ended April 30,					(unaudited)
			Restated(6)			January 31,
	1993	1994	1995	1996	1997	1998
	(in thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 132	$ 427	$ 765	$ 470	$ 1,349	$ 2,305
Working capital (deficit)	(961)	(729)	(1,393)	(2,205)	(5,577)	3,371
Property and equipment, net	5,148	6,394	23,203	37,955	67,983	75,486
Total assets	10,257	13,055	38,534	64,893	140,882	175,326
Long-term obligations, less current maturities	4,051	7,331	22,998	24,103	76,901	66,446
Redeemable preferred stock	--	--	--	22,896	31,426	--
Redeemable put warrants (5)	--	62	3,142	400	400	--
Total stockholders' equity (deficit)	1,626	738	2,338	(874)	76	80,869

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(1) Pro forma to give effect to the automatic redemption upon the closing of the Company's recent initial public offering of the Series A Preferred Stock and Series B Preferred Stock with the redemption price applied to the exercise of warrants to purchase 1,811,199 shares of Class A Common Stock and the automatic conversion upon such closing of outstanding shares of Series D Convertible Preferred Stock into 1,922,169 shares of Class A Common Stock.

(2) Pro forma to give effect to: (i) the acquisitions completed during fiscal 1997; (ii) the acquisition of substantially all of the assets of H.C. Gobin, Inc. in fiscal 1998; and (iii) the application of the net proceeds from the Company's initial public offering after deducting the underwriting discount and offering expenses paid by the Company, as if each had occurred on May 1, 1996. No pro forma adjustment has been made to (i) the historical amounts for the nine months ended January 31, 1998 to reverse the impact of the loss incurred by H.C. Gobin, Inc. upon the sale of certain unprofitable operations divested by H.C. Gobin, Inc. prior to its acquisition by the Company, or (ii) the historical

amounts for the year ended April 30, 1997 and the nine months ended January 31, 1998 to reduce operating expenses to eliminate specific expenses that the Company believes would not have been incurred had the Gobin acquisition occurred as of May 1, 1996.

(3) Computed on the basis described in Note 2 of Notes to Consolidated Financial Statements.

(4) EBITDA is defined as operating income plus depreciation and amortization. EBITDA does not represent, and should not be considered as, an alternative to net income or cash flows from operating activities, each as determined in accordance with GAAP. Moreover, EBITDA does not necessarily indicate whether cash flow will be sufficient for such items as working capital or capital expenditures, or to react to changes in the Company's industry or to the economy generally. The Company believes that EBITDA is a measure commonly used by lenders and certain investors to evaluate a company's performance in the solid waste industry. The Company also believes that EBITDA data may help to understand the Company's performance because such data may reflect the Company's ability to generate cash flows, which is an indicator of its ability to satisfy its debt service, capital expenditure and working capital requirements. Because EBITDA is not calculated by all companies and analysts in the same fashion, the EBITDA measures presented by the Company may not be comparable to similarly-titled measures reported by other companies. Therefore, in evaluating EBITDA data, investors should consider, among other factors: the non-GAAP nature of EBITDA data; actual cash flows; the actual availability of funds for debt service, capital expenditures and working capital; and the comparability of the Company's EBITDA data to similarly-titled measures reported by other companies. For more information about the Company's cash flows, see page F-9.

(5) Represents warrants to purchase 100,000 shares of Class A Common Stock exercisable at $6.00 per share. Pursuant to the terms of these warrants, in September 1997, warrants to purchase 25,000 shares were exercised by the holder at $6.00 per share, and warrants to purchase 75,000 shares were called by the Company at $7.00 per share.

(6) The Company has issued restated audited consolidated financial statements as of and for fiscal years ended April 30, 1995, 1996 and 1997 to reflect the merger with All Cycle Waste, Inc. and Winters Brothers Inc. consummated on December 19, 1997, accounted for using the pooling of interests method of accounting.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

The following Unaudited Pro Forma Consolidated Statements of Operations of the Company have been prepared based upon the historical Consolidated Financial Statements of the Company, and the Notes thereto included elsewhere in this Prospectus and gives effect to (i) the acquisitions completed during fiscal 1997 and (ii) the acquisition of substantially all of the assets of H.C.Gobin, Inc. in fiscal 1998 and (iii) the application of the net proceeds from the Company's recent initial public offering after deducting the underwriting discount and offering expenses paid by the Company, as if each had occurred as of May 1, 1996. An unaudited pro forma consolidated balance sheet has not been presented as each of the pro forma transactions occurred prior to the actual balance sheet dated January 31, 1998 included in the Consolidated Financial Statements.

The Unaudited Pro Forma Consolidated Statements of Operations should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Prospectus. The Unaudited Pro Forma Consolidated Statements of Operations are not necessarily indicative of the actual results of operations that would have been reported if the events described above had occurred as of May 1, 1996, nor do they purport to indicate the results of future operations of the Company. Furthermore, the pro forma results do not give effect to all cost savings or incremental costs that may occur as a result of the integration and consolidation of the completed acquisitions. In the opinion of management, all adjustments necessary to present fairly such pro forma financial results have been made.

(Unaudited)
Fiscal Year Ended April 30, 1997

	Casella	Acquisitions		Adjustments Related to	
	Historical(1)	Historical(2)	Adjustments(3)	the Offering	Pro Forma
	(in thousands, except per share data)				
Revenues	$ 79,532	$30,081	$ --	$ --	$ 109,613
Cost of operations	48,057	21,013	--	--	69,070
General and administrative	12,534	3,992	--	--	16,526
Depreciation and amortization	13,695	3,537	890(3A)	--	18,122
Operating income	5,246	1,539	(890)	--	5,895
Interest expense, net	4,290	1,544	1,443(3B)	(3,844)(4)	3,433
Other (income) expense, net	923	279	--	--	1,202
Income (loss) before provision (benefit) for income taxes	33	(284)	(2,333)	3,844	1,260
Provision (benefit) for income taxes	452	(22)	(1,093)(5)	1,518 (5)	855
Net income (loss)	$ (419)	$ (262)	$ (1,240)	$ 2,326	$ 405
Accretion of Preferred Stock and put warrants	(8,530)	--	--	8,530 (6)	
Net income (loss) applicable to common stockholders	$ (8,949)	(262)	(1,240)	$ 10,856	405
Basic Earnings per Share of Common Stock	$ (2.29)				$ 0.04
Basic Weighted Average Common Stock Shares Outstanding(7)	3,913				10,646
Diluted Earnings per Share					$ 0.04
Diluted Weighted Average Common Stock and Common Stock Equivalent Shares Outstanding					11,347
EBITDA(8)	$ 18,941				$ 24,017

(Unaudited)
Nine Months Ended January 31, 1998

	Casella	H.C. Gobin		Adjustments Related to	
	Historical(1)	Historical(9)	Adjustments(3)	the Offering	Pro Forma
	(in thousands, except per share data)				
Revenues	$ 87,321	$1,283	$ --	$ --	$ 88,604
Cost of operations	51,743	1,029	--	--	52,772
Selling, general & administrative	13,019	241	--	--	13,260
Depreciation and amortization	13,412	96	18(3A)	--	13,526
Operating income	9,147	(83)	(18)	--	9,046
Interest expense, net	5,272	56	98(3B)	(1,969)(4)	3,457
Other expenses (income), net	2	160	--	--	162
Income (loss) before provision (benefit) for income taxes	3,873	(299)	(116)	1,969	5,427
Provision (benefit) for income taxes	1,950	56	(201)(5)	776 (5)	2,581
Net income (loss)	$ 1,923	$ (355)	$ 85	$ 1,193	$ 2,846
Accretion of Preferred Stock and put warrants	(5,738)	--	--	5,738 (6)	--
Net income (loss) applicable to common stockholders	(3,815)	(355)	85	$ 6,931	2,846
Basic Earnings per Share of Common Stock	$ (0.56)				$ 0.25
Basic Weighted Average Common Stock Shares Outstanding (7)	6,755				11,293
Diluted Earnings per Share					$ 0.23
Diluted Weighted Average Common Stock and Common Stock Equivalent Shares Outstanding					12,340
EBITDA(8)	$ 22,559				$ 22,572

(1) No pro forma adjustment has been made (i) to the historical amounts for the

year ended April 30, 1997 to reverse the impact of a certain non-recurring charge totalling $650,000 incurred with the settlement of certain litigation naming the Company and brought derivatively in the name of the Meridian Group, Inc. (see "Certain Transactions"); (ii) to the historical amounts for the year ended April 30, 1997 to reduce operating expenses to eliminate specific expenses that the Company believes would not have been incurred had the acquisitions occurred as of May 1, 1996; and (iii) to the historical amounts for the year ended April 30, 1997 to give effect to the savings expected to be realized from the Company redirecting 8,000 tons of waste per month from third party landfills to the Subtitle D Clinton County landfill.

(2) Consists of the combined historical statement of revenues and direct operating expenses for the acquisitions completed after April 30, 1996 for the period of May 1, 1996 through their respective dates of acquisition as follows:

SCHEDULE OF COMPLETED ACQUISITIONS

	Fiscal Year Ended April 30, 1997					
	Completed Acquisitions					
	(in thousands)					
	Clinton County(A)	Vermont Waste(B)	Superior Disposal(C)	H.C. Gobin(D)	Other(E)	Total Acquisitions
Revenues	$642	$1,251	$12,593	$4,872	$ 10,723	$30,081
Cost of operations	449	524	9,136	3,808	7,096	21,013
General and administrative	31	561	488	945	1,967	3,992
Depreciation and amortization	90	12	2,358	309	768	3,537
Operating income (loss)	72	154	611	(190)	892	1,539
Interest expense, net	88	50	634	244	528	1,544
Other expense (income), net	(5)	(10)	69	136	89	279
Income (loss) before provision for income taxes	(11)	114	(92)	(570)	275	(284)
Provision for income taxes	--	--	20	(42)	--	(22)
Net income (loss)	$(11)	$ 114	$ (112)	$ (528)	$ 275	$ (262)

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(A) Acquisition completed on July 8, 1996.
(B) Acquisition completed on November 26, 1996.
(C) Acquisition completed on January 23, 1997.
(D) Acquisition completed on September 5, 1997.
(E) Includes other acquisitions completed by the Company as of April 30, 1997 for which sufficiently detailed historical financial information was available.

(3) Pro forma adjustments have been made to the historical amounts for the acquisitions noted in footnote (2). All of the acquisitions were accounted for using the purchase method of accounting for business combinations.

(A) A pro forma adjustment has been made to reflect additional amortization expense on the fair market value of the assets acquired as if the acquisitions described in footnote (2) had occurred on May 1, 1996. Landfill costs are amortized as permitted airspace of the landfill is consumed. Goodwill is amortized over lives not exceeding 40 years, and covenants not-to-compete and customer lists are amortized over lives not exceeding 10 years.

	Fiscal Year Ended April 30, 1997	(Unaudited) Nine Months Ended January 31, 1998
Incremental amortization of landfill costs recorded in purchase accounting	$140	$--

Incremental intangibles amortization	750	18
Pro forma adjustment	$890	$18

(B) A pro forma adjustment has been made for the year ended April 30, 1997 and the nine months ended January 31, 1998 to reflect the additional interest expense on the incremental debt outstanding used to complete the acquisitions described in footnote (2) as if all of those acquisitions had occurred on May 1, 1996, assuming a weighted average interest rate of 8.3% and 8.5%, respectively.

(4) A pro forma adjustment has been made for the year ended April 30, 1997 and nine months ended January 31, 1998 to reflect reduced interest expense resulting from the application of net proceeds from the Company's initial public offering to reduce borrowings under the Company's credit facility as if such reduction had occurred on May 1, 1996.

(5) A pro forma adjustment has been made to adjust the pro forma provision for income taxes to a 39.5% rate on pro forma income before nondeductible intangible amortization and other nondeductible expenses.

(6) A pro forma adjustment has been made for the year ended April 30, 1997 and the nine months ended January 31, 1998 to reflect the elimination of accretion charges related to the Series Preferred Stock

and warrants, which were converted into or exercised for Class A Common Stock upon the closing of the Company's initial public offering in November 1997.

(7) Computed on the basis described in Note 8 of Notes to Consolidated Financial Statements.

(8) EBITDA is defined as operating income plus depreciation and amortization. EBITDA does not represent, and should not be considered as, an alternative to net income or cash flows from operating activities, each as determined in accordance with GAAP. Moreover, EBITDA does not necessarily indicate whether cash flow will be sufficient for such items as working capital or capital expenditures, or to react to changes in the Company's industry or to the economy generally. The Company believes that EBITDA is a measure commonly used by lenders and certain investors to evaluate a company's performance in the solid waste industry. The Company also believes that EBITDA data may help to understand the Company's performance because such data may reflect the Company's ability to generate cash flows, which is an indicator of its ability to satisfy its debt service, capital expenditure and working capital requirements. Because EBITDA is not calculated by all companies and analysts in the same fashion, the EBITDA measures presented by the Company may not be comparable to similarly-titled measures reported by other companies. Therefore, in evaluating EBITDA data, investors should consider, among other factors: the non-GAAP nature of EBITDA data; actual cash flows; the actual availability of funds for debt service, capital expenditures and working capital; and the comparability of the Company's EBITDA data to similarly-titled measures reported by other companies. For more information about the Company's cash flows, see page F-9.

(9) Consists of the combined historical statement of revenues and direct operating expenses for H.C. Gobin, Inc. for the period of May 1, 1997 through July 31, 1997.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto, the Company's Unaudited Pro Forma Consolidated Statements of Operations and Notes thereto, and other financial Information included elsewhere in the Prospectus.

Overview

The Company is a regional, integrated solid waste services company that provides collection, transfer, disposal and recycling services in Vermont, New Hampshire, Maine, upstate New York and northern Pennsylvania. The Company's objective is to continue to grow by expanding its services in markets where it can be one of the largest and most profitable fully-integrated solid waste services companies.

The Company's revenues have increased from $13.5 million for the fiscal year ended April 30, 1994, to $79.5 million for the fiscal year ended April 30, 1997. From May 1, 1994 through April 30, 1997, the Company acquired 44 solid waste collection, transfer and disposal operations. Between May 1, 1997 and January 31, 1998, the Company acquired an additional 24 of such businesses. These acquisitions were accounted for under the purchase method of accounting for business combinations. Under the rules of purchase accounting the acquired companies' revenues and results of operations have been included together with those of Casella Waste Systems, Inc. from the dates of the acquisitions. The resulting growth in revenues and results of operations of the Company will materially affect the period-to-period comparisons of this financial information. In addition to these transactions, in December, 1997 the Company acquired a waste collection and transfer operation in a transaction recorded as a pooling of interests. Under the rules governing poolings of interest, the prior period and year to date financial statements of the Company have been restated to reflect the financial position, results of operations and cash flows of the merged entities as if they had been one company for all periods presented in the accompanying financial statements.

This Prospectus and other reports, proxy statements, and other communications to stockholders, as well as oral statements by the Company's officers or its agents, may contain forward-looking statements within the meaning of Section 27A of the Securities Act, with respect to, among other things, the Company's future revenues, operating income, or earnings per share. Without limiting the foregoing, any statements contained in this Prospectus that are not statements of historical fact may be deemed to be forward-looking statements, and the words "believes", "anticipates", "plans", "expects", and similar expressions are intended to identify forward-looking statements. There are a number of factors of which the Company is aware that may cause the Company's actual results to vary materially from those forecast or projected in any such forward-looking statement, certain of which are beyond the Company's control. These factors include, without limitation, those set forth above under the caption "Risk Factors". The Company's failure to successfully address any of these factors could have a material adverse effect on the Company's results of operations.

General

The Company's revenues are attributable primarily to fees charged to customers for solid waste collection, landfill, transfer and recycling services. The Company derives a substantial portion of its collection revenues from commercial, industrial and municipal services that are generally performed under service agreements or pursuant to contracts with municipalities. The majority of the Company's residential collection services are performed on a subscription basis with individual households. Landfill and transfer customers are charged a tipping fee on a per ton basis for disposing of their solid waste at the Company's disposal facilities and transfer stations. The majority of the Company's landfill and transfer customers are under one-year to ten-year disposal contracts, with most having clauses for annual cost of living increases. Recycling revenues consist of revenues from the sale of recyclable commodities. Other revenues consist primarily of revenue from waste tire processing operations and septic pumping and portable toilet operations. The Company's revenues are shown net of intercompany eliminations. The Company typically establishes its intercompany transfer pricing based upon prevailing market rates.

The table below shows, for the periods indicated, the percentage of the

Company's revenues attributable to services provided. The increase in the Company's collection revenues as a percentage of revenues in fiscal 1997 and the first nine months of fiscal 1998 is primarily attributable to the impact of the Company's acquisition of collection businesses during fiscal 1996 and fiscal 1997, as well as to internal growth through price and business volume increases. The increase in landfill revenues in fiscal 1996 over fiscal 1995 was due principally to the acquisition of the Waste USA landfill in fiscal 1996. The decrease in the Company's transfer revenues as a percentage of revenues in fiscal 1997 and the first nine months of fiscal 1998 is mainly due to a proportionately greater increase in collection and other revenues occurring as the result of acquisitions in those areas; also, as the Company acquires collection businesses from which it previously had derived transfer revenues, the acquired revenues are recorded by the Company as collection revenues. The decline in recycling revenues as a percentage of revenues in fiscal 1997 and the first nine months of fiscal 1998 principally reflects an absence of acquisitions in this area coupled with a decline in recyclable commodity prices. The increase in other revenues as a percentage of revenues in fiscal 1996 and fiscal 1997 and the first nine months of fiscal 1998 is primarily due to the Company's acquisition and integration of tire processing and septic businesses during these periods.

	% of Revenues				
	Year Ended April 30,			(Unaudited) Nine Months Ended Jan. 31,	
	1995	1996	1997	1997	1998
Collection	69.6%	68.7%	69.7%	67.3%	72.1%
Landfill	14.3	15.8	15.5	17.0	13.3
Transfer	6.5	7.1	6.5	6.8	6.2
Recycling	9.4	7.4	7.1	7.7	6.4
Other	0.2	1.0	1.2	1.2	2.0
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

Cost of operations includes labor, tipping fees paid to third party disposal facilities, fuel, maintenance and repair of vehicles and equipment, worker's compensation and vehicle insurance, the cost of purchasing materials to be recycled, third party transportation expense, district and state taxes, host community fees and royalties. Landfill operating expenses also include a provision for closure and post-closure expenditures anticipated to be incurred in the future, and leachate treatment and disposal costs.

General and administrative expenses include management, clerical and administrative compensation and overhead, professional services and costs associated with the Company's marketing and sales force and community relations expense.

Depreciation and amortization expense includes depreciation of fixed assets over the estimated useful life of the assets using the straight line method, amortization of landfill airspace assets under the units-of-production method, and the amortization of goodwill and other intangible assets using the straight line method. The amount of landfill amortization expense related to airspace consumption can vary materially from landfill to landfill depending upon the purchase price and landfill site and cell development costs.

Certain direct landfill development costs, such as engineering, permitting, legal, construction and other costs directly associated with expansion of existing landfills, are capitalized by the Company. Additionally, the Company also capitalizes certain third party expenditures related to pending acquisitions, such as legal and engineering. The Company will have material financial obligations relating to closure and post-closure costs of its existing landfills and any disposal facilities which it may own or operate in the future. The Company has provided and will in the future provide accruals for future financial obligations relating to closure and post-closure costs of its landfills (generally for a term of 30 years after final closure of a landfill) based on engineering estimates of consumption of permitted landfill airspace over the useful life of any such landfill. There can be no assurance

that the Company's financial obligations for closure or post-closure costs will not exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds. The Company routinely evaluates all such capitalized costs, and expenses those costs related to projects not likely to be successful. Internal and indirect landfill development and

acquisition costs, such as executive and corporate overhead, public relations and other corporate services, are expensed as incurred. See "Risk Factors--Incurrence of Charges Related to Capitalized Expenditures".

Results of Operations

The following table sets forth for the periods indicated the percentage relationship that certain items from the Company's Consolidated Financial Statements bear in relation to revenues.

	% of Revenues				
	Year ended April 30,			(Unaudited) Nine Months Ended Jan. 31,	
	1995	1996	1997	1997	1998
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of operations	57.5	58.7	60.4	59.2	59.3
General and administrative	12.2	16.5	15.8	15.8	14.9
Depreciation and amortization	20.1	19.0	17.2	17.3	15.4
Operating income	10.2	5.8	6.6	7.7	10.4
Interest expense, net	7.7	6.1	5.4	5.2	6.0
Other (income) expenses, net	0.2	(0.2)	1.1	0.2	0.0
Provision for income taxes	0.9	0.3	0.6	1.7	2.2
Net income (loss) before extraordinary items	1.4	(0.4)	(0.5)	0.6	2.2
EBITDA*	30.3%	24.8%	23.8%	25.0%	25.8%

* See discussion and computation of EBITDA below.

Nine Months Ended January 31, 1998 versus January 31, 1997

Revenues. Collection revenues increased as a percentage of total revenues because most of the Company's acquisitions since May 1, 1996 were primarily collection companies. Other revenue increased due to the acquisition of the Maine waste tire processing operation in July 1996, and due to two portable toilet/septic-pumping acquisitions in the first quarter of fiscal 1998. The remaining revenue categories have decreased as a percentage of total revenues due to fewer acquisitions being consummated in these lines of business. Any increases in landfill or transfer revenues achieved by internalizing the waste volumes of newly acquired collection businesses are eliminated in the consolidated statements.

Revenues increased $31.1 million, or 55.3% for the nine months ended January 31, 1998 over the comparable period in 1997. Of this increase, $27.5 million was due to the impact of businesses acquired during the year ended April 30, 1997 and during the first nine months of fiscal 1998. The balance of the increase was due to internal growth, comprised of net new business, volume increases of existing customers, price increases, and changes in recycled commodities pricing.

Operating Expenses

Cost of Operations. Operating expenses as a percentage of revenue did not

vary materially in the nine months ended January 31, 1998 compared to the same period in the prior year.

General and Administrative. As a percentage of revenue, general and administrative expenses have dropped 0.9% for the nine-month period ending January 31, 1998 compared to the same period during 1997. This improvement is due to improved economies of scale achieved subsequent to the acquisitions since May 1, 1996, and to the leveraging of existing corporate overhead.

Depreciation and Amortization. Depreciation and amortization expenses for the nine months ended January 31, 1998 were 15.4% of revenue compared to 17.3% during the nine months ended January 31, 1997. This change reflects the Company's increasing share of revenue generated from collection operations, which have lower depreciation and amortization costs as a percentage of revenues than the Company's other operations.

Interest Expense, Net. During the nine months ended January 31, 1998, net interest expense rose to 6.0% as a percent of revenue compared to 5.2% for the nine months ended January 31, 1997. These fluctuations are the result of the increased debt incurred by the Company as it continued to implement its acquisition program.

Other Income and Expense. This category was not material to total revenues or the results of operations during the nine month periods ending January 31, 1997 and 1998.

Provision for Income Taxes. Income tax expense during the nine months ended January 31, 1998 increased to .5% as a percentage of revenue compared to the same period ending January 31, 1997. This is mainly due to the increase in pre-tax net income as a percentage of revenue.

Fiscal Year Ended April 30, 1997 versus April 30, 1996

Revenues. Revenues increased $36.7 million, or 85.6%, to $79.5 million in fiscal 1997 from $42.8 million in fiscal 1996. Approximately $33.6 million of the increase was attributable to the impact of businesses acquired throughout fiscal 1996 and fiscal 1997. In addition, approximately $4.1 million of the increase, or 9.5%, was attributable to internal growth, primarily through volume increases. The effect of these revenue increases was partially offset by a decrease of approximately $1.0 million due to lower recyclable commodity prices in fiscal 1997 versus fiscal 1996.

Cost of operations. Cost of operations increased $22.9 million, or 91.1%, to $48.1 million in fiscal 1997 from $25.1 million in fiscal 1996, an increase corresponding primarily to the Company's revenue growth described above. Cost of operations as a percentage of revenues increased to 60.4% in fiscal 1997 from 58.7% in fiscal 1996. The increase was primarily the result of: (i) an increase in collection operations, which have higher operating costs than other operations, as a percentage of the Company's total operations as a result of acquisitions completed in fiscal 1996 and fiscal 1997; (ii) lower margins in recycling services due to lower commodity prices in fiscal 1997; and (iii) start-up and transitional expenses related to the acquisitions completed in fiscal 1997. The Company has historically expensed all costs related to post acquisition start-up and transitional expenditures.

General and administrative. General and administrative expenses increased approximately $5.5 million, or 77.4%, to $12.5 million in fiscal 1997 from $7.1 million in fiscal 1996. General and administrative expenses as a percentage of revenues decreased to 15.8% in fiscal 1997 from 16.5% in fiscal 1996 due to improved economies of scale related to the significant increase in revenues, and operating enhancements made to certain acquired operations.

Depreciation and amortization. Depreciation and amortization expense increased approximately $5.5 million, or 67.9%, to $13.7 million in fiscal 1997 compared to $8.2 million in fiscal 1996. As a percentage of revenues, depreciation and amortization expense decreased to 17.2% during fiscal 1997 from 19.0% in fiscal 1996. The decrease in depreciation and amortization expense as a percentage of revenues was primarily the result of an increase in the Company's collection operations as a percentage of total revenues in fiscal 1997, which generally have lower depreciation and amortization expenses than

other operations. Depreciation and amortization expense is expected to decline as a percentage of revenues in future periods as additional anticipated landfill airspace capacity is permitted which would result in spreading this expense over a longer anticipated life, and due to the expected increase in collection revenues as a percentage of total acquired revenues.

Interest expense, net. Net interest expense increased approximately $1.7 million, or 63.8%, to $4.3 million in fiscal 1997 from $2.6 million in fiscal 1996. This increase primarily reflects increased indebtedness incurred in connection with acquisitions and capital expenditures and was offset to a small degree by slightly lower average interest rates.

Other (income) expense. Other (income) expense has not historically been material to the Company's results of operations. However, during fiscal 1997, the Company established a reserve of $650,000 related to a lawsuit that was settled for $450,000 in the first quarter of fiscal 1998. The Company also paid $200,000 in attorneys fees in connection with such settlement. Additionally, the Company wrote off $283,000 for recycling facility assets that were deemed to have no value in the year ended April 30, 1997.

Provision for income taxes. Provision for income taxes increased approximately $308,000, or 214.7%, to $452,000 in fiscal 1997 from $144,000 in fiscal 1996, due principally to an increase in the amount of amortization of non-deductible goodwill and other non-deductible items in fiscal 1997 as compared to fiscal 1996.

Fiscal Year Ended April 30, 1996 versus April 30, 1995

Revenues. Revenues increased $19.0 million, or 79.4%, to $42.8 million in fiscal 1996 from $23.9 million in fiscal 1995. Approximately $16.4 million of the increase was attributable to the impact of businesses acquired throughout fiscal 1995 and fiscal 1996. In addition, approximately $3.2 million of the increase, or 13.3%, was attributable to internal growth, primarily through volume increases. The effect of these revenue increases was partially offset by a decrease of approximately $0.6 million due to lower recyclable commodity prices in fiscal 1996 versus fiscal 1995.

Cost of operations. Cost of operations increased $11.4 million, or 83.1%, to $25.1 million in fiscal 1996 from $13.7 million in fiscal 1995. This increase in costs was attributable primarily to increases in the Company's revenues described above. Cost of operations as a percentage of revenues increased to 58.7% in fiscal 1996 from 57.5% in fiscal 1995. This increase was primarily due to lower margins in recycling services due to lower commodity prices in fiscal 1996 versus fiscal 1995.

General and administrative. General and administrative expense increased approximately $4.2 million, or 142.7%, to $7.1 million in fiscal 1996 from $2.9 million in fiscal 1995. As a percentage of revenues, general and administrative expenses increased to 16.5% in fiscal 1996 from 12.2% in fiscal 1995. The increase was primarily the result of: (i) the Company's increase in personnel and other expenses related to the anticipated growth of the Company; and (ii) the acquisition of the Sawyer Companies in January 1996, which from the date of acquisition through the end of fiscal 1996 had a higher proportion of general and administrative expenses to revenues (22.0%) than the balance of the Company.

Depreciation and amortization. Depreciation and amortization expense increased $3.3 million, or 69.3%, to $8.2 million from $4.8 million in fiscal 1995. As a percentage of revenues, depreciation and amortization expense decreased to 19.0% in 1996 from 20.1% in fiscal 1995, primarily as a result of increased collection revenues without a commensurate increase in depreciable assets.

Interest expense, net. Net interest expense increased approximately $791,600, or 43.3%, to $2.6 million in fiscal 1996 from $1.8 million in fiscal 1995. This increase primarily reflects increased indebtedness incurred in connection with acquisitions.

Provision for income taxes. Provision for income taxes decreased approximately $76,400, or 34.7%, to $143,600 in fiscal 1996 from $220,000 in

fiscal 1995, due principally to lower pre-tax income reported by the Company in fiscal 1996 as compared to fiscal 1995.

Liquidity and Capital Resources

The Company's business is capital intensive. The Company's capital requirements include acquisitions, fixed asset purchases and capital expenditures for landfill development, cell construction, and site and cell closure. Because of these needs the Company has in the past had working capital deficits. The Company had positive net working capital of $3.7 million at January 31, 1998 compared to a $5.6 million working capital deficit at April 30, 1997.

The Company has a $150 million revolving line of credit with a group of banks for which BankBoston, N.A. is acting as agent. This line of credit is secured by all assets of the Company, including the Company's interest in the equity securities of its subsidiaries. This revolving line of credit matures in January, 2003.

On November 3, 1997 the Company completed an initial public offering of its Class A Common Stock. The proceeds from this offering were $48.5 million, net of underwriters discounts and issuance costs. A portion of the proceeds of this offering, $45 million, was used to repay long term debt, and to pay down the line of credit. Funds available to the Company under the line of credit were $94.6 million at January 31, 1998.

The Company's cash provided internally from operations together with the Company's available credit facilities should enable it to meet its needs for working capital for the next fiscal year. The Company is

considering undertaking an underwritten public offering of its Class A Common Stock in the first half of fiscal 1999. Any such offering is subject to a number of conditions, including the approval of the Company's Board of Directors and prevailing market conditions. There can be no assurance that any such offering will be undertaken, or that, if undertaken, it will be successfully completed.

Net cash provided by operations for the nine months ended January 31, 1998 and January 31, 1997 was $11.2 million and $12.4 million, respectively. Net cash provided by operations remained relatively constant in the nine months ended January 31, 1998, notwithstanding higher revenue levels, due principally to the increased costs associated with absorbing and integrating the operations of acquired businesses.

Net cash provided by operations in fiscal 1997 increased to $14.9 million from $8.6 million in fiscal 1996 primarily due to an increase in depreciation and amortization of approximately $5.5 million in fiscal 1997 from fiscal 1996, and improvement of the Company's working capital.

Net cash provided by operations in fiscal 1996 increased to $8.6 million from $5.0 million in fiscal 1995 primarily due to an increase in depreciation and amortization of approximately $3.3 million in fiscal 1996 from fiscal 1995.

For the nine months ended January 31, 1998 and January 31, 1997, cash used in investing activities was $39.3 million and $47.4 million, respectively. Investing activities used net cash of $52.8 million in fiscal 1997. These increases in investing activities reflect the Company's capital expenditure and capital needs for acquisitions which have increased significantly, reflecting the Company's rapid growth by acquisition and development of revenue producing assets and which are expected to increase further as the Company continues to complete acquisitions.

For the nine months ended January 31, 1998 and January 31, 1997, the Company's financing activities provided cash of $29.1 million and $36.8 million, respectively. Net cash provided by financing activities was $38.8 million, $19.3 million and $4.5 million in the fiscal years ended April 30, 1997, 1996 and 1995, respectively. The net cash provided by financing activities of $29.1 million in the nine months ended January 31, 1998 reflects the net proceeds of the Company's public stock offering in November, 1997,and

borrowings on the Company's credit facility, offset by repayments. Net cash provided by financing activities in fiscal 1997 reflects primarily bank borrowings and seller subordinated notes, less principal payments on debt. In fiscal 1996, net cash provided by financing activities reflects the net proceeds of approximately $12.5 million from the private placement of preferred stock in December 1995.

Seasonality

The Company's revenues have historically been lower during the months of November through March. This seasonality reflects the lower volume of waste during the late fall, winter and early spring months primarily because: (i) the volume of waste relating to construction and demolition activities decreases substantially during the winter months in the northeastern United States; and (ii) decreased tourism in Vermont, Maine and eastern New York during the winter months tends to lower the volume of waste generated by commercial and restaurant customers, which is partially offset by the winter ski industry. Since certain of the Company's operating and fixed costs remain constant throughout the fiscal year, operating income results are therefore impacted by a similar seasonality. In addition, particularly harsh weather conditions could result in increased operating costs to certain of the Company's operations.

The Company's quarterly revenues and operating results have varied significantly in the past and are likely to vary substantially from quarter to quarter in the future. The Company establishes its expenditure levels based on its expectations as to future revenues, and, if revenue levels are below expectations, expenses can be disproportionately high. Due to a variety of factors including general economic conditions, governmental regulatory action, acquisitions, capital expenditures and other costs related to the expansion of operations and services and pricing changes, it is possible that in some future quarter, the Company's operating results will be below the expectations of public market analysts and investors. In such event, the Company's Class A Common Stock price would likely be materially and adversely affected.

Inflation and Prevailing Economic Conditions

To date, inflation has not had a significant impact on the Company's operations. Consistent with industry practice, most of the Company's contracts provide for a pass through of certain costs, including increases in landfill tipping fees and, in some cases, fuel costs. The Company therefore believes it should be able to implement price increases sufficient to offset most cost increases resulting from inflation. However, competitive factors may require the Company to absorb at least a portion of these cost increases, particularly during periods of high inflation.

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

EBITDA

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) represents operating income (earnings before interest and taxes, or "EBIT") plus depreciation and amortization expense. EBITDA is not a measure of financial performance under generally accepted accounting principles, but is provided because the Company understands that certain investors use this information when analyzing the financial position and performance of the Company.

Amounts in $1,000's

	Year ended April 30,	(unaudited) Nine months ended

	1995	1996	1997	January 31, 1998
Operating income	$ 2,424	$ 2,477	$ 5,246	$ 9,147
Depreciation and amortization	4,815	8,152	13,695	13,412
EBITDA	$ 7,238	$ 10,630	$ 18,940	$ 22,559
EBITDA as a percentage of revenue	30.3%	24.8%	23.8%	25.8%

Analysis of the factors contributing to the change in EBITDA is included in the discussions above.

BUSINESS

The Company

Casella Waste Systems, Inc. is a regional, integrated, non-hazardous solid waste services company that provides collection, transfer, disposal and recycling services in Vermont, New Hampshire, Maine, upstate New York and northern Pennsylvania. As of April 16, 1998, the Company owned and/or operated four Subtitle D landfills, 39 transfer stations, 16 recycling processing facilities, and 33 collection operations. The Company was founded in 1975 as a single-truck operation in Rutland, Vermont and subsequently expanded its operations throughout the state of Vermont. In 1993, the Company initiated an acquisition strategy to take advantage of anticipated reductions in available landfill capacity in Vermont and surrounding states due to increasing environmental regulation and other market forces driving consolidation in the solid waste industry. From May 1, 1994 through April 30, 1997, the Company acquired ownership or long-term operating rights to 44 solid waste businesses, including four landfills, and, between May 1, 1997 and March 31, 1998, the Company acquired an additional 33 such businesses. The Company believes that additional acquisition opportunities exist in the markets it serves and in other prospective markets. In May 1998, the Company acquired a Subtitle D landfill in western upstate New York. See "Recent Landfill Acquisition".

The Company's operating strategy is based on the integration of its collection and disposal operations and the internalization of waste collected. The Company believes that control of a substantial portion of the waste stream and economies of scale provide it with advantages over non-integrated competitors in its markets.

Strategy

The Company's objective is to continue to grow by expanding its services in markets where it can be one of the largest and most profitable fully-integrated solid waste services companies. The Company is currently operating in Vermont, New Hampshire, Maine, upstate New York and northern Pennsylvania, and believes that these markets and other markets with similar characteristics present significant opportunities for achieving its objectives. The Company focuses its efforts on markets which are characterized by: (i) a geographically dispersed population; (ii) disposal capacity which the Company anticipates may be available for acquisition by the Company; (iii) significant environmental regulation which has resulted in a decrease in the total number of operating landfills; and (iv) a lack of significant competition from other well-capitalized and established waste management companies. The Company believes that these characteristics result in significant market opportunities for the first fully-integrated, well-capitalized market entrant, and create economic and regulatory barriers to entry by additional competitors in these markets.

The Company's strategy for achieving its objective is: (i) to acquire solid waste collection businesses and disposal capacity in new markets, and to make "tuck-in" acquisitions in existing markets; (ii) to generate internal growth through increased sales penetration and the marketing of additional services to existing customers; and (iii) to implement operating enhancements and efficiencies. The Company intends to implement this strategy as follows:

Expansion Through Acquisitions. The Company intends to continue to expand by acquiring solid waste collection companies and disposal capacity in new markets, and increasing its revenues and operational efficiencies in its existing markets through "tuck-in" and other acquisitions of solid waste collection operations. In considering new markets, the Company evaluates the opportunities to acquire or otherwise control sufficient collection operations and disposal facilities which would enable it to generate a captive waste stream and achieve the disposal economies of scale necessary to meet its market share and financial objectives. The Company has established criteria which enable it to evaluate the prospective acquisition opportunity and the target market. Historically, the Company has entered new markets which are adjacent to its existing markets; however, the Company may consider new markets in non-contiguous geographic areas which meet its criteria. The Company targets additional "tuck-in" acquisitions within its current markets to allow the Company to further improve its market penetration and density and to further increase the internalization rate of its waste streams.

Internal Growth. In order to generate continued internal growth, the Company has focused on increasing sales penetration in its current and adjacent markets, soliciting new commercial, industrial, and

residential customers, marketing upgraded services to existing customers and, where appropriate, raising prices. As customers are added in existing markets, the Company's revenue per routed truck is improved, which generally increases the Company's collection efficiencies and profitability. The Company uses transfer stations, which serve to link disparate collection operations with Company-operated landfills, as an important part of its internal growth strategy.

Operating Enhancements for Acquired and Existing Businesses. The Company has implemented a system that establishes standards for each of its markets and tracks operating criteria for its collection, transfer, disposal and other operations to facilitate improved profitability in existing and acquired operations. These measurement criteria include collection and disposal routing efficiency, equipment utilization, cost controls, commercial weight tracking and employee training and safety procedures. The Company believes that by establishing standards and closely monitoring compliance, it is able to improve existing and acquired operations. Moreover, where the Company is able to internalize the waste stream of acquired operations, it is further able to increase operating efficiencies and improve capacity utilization.

Acquisition Program

The Company's acquisition program is founded on strong management capabilities, strict acquisition criteria, and defined integration procedures. From May 1, 1994 through April 30, 1997, the Company acquired ownership or long-term operating rights to 44 solid waste businesses, including four landfills, and acquired an additional 33 such businesses between May 1, 1997 and March 31, 1998. The Company believes that additional acquisition candidates meeting the Company's acquisition criteria, including "tuck-in" opportunities, exist within its current and adjacent market areas. In May 1998, the Company acquired a Subtitle D landfill in western upstate New York. See "Recent Landfill Acquisition".

The Company's three regional vice presidents, as well as the Chief Executive Officer and Chief Operating Officer, are each responsible for identifying acquisition candidates and consummating acquisitions. In addition to five dedicated business development personnel, who focus exclusively on acquisitions, each of the Company's 23 division managers is responsible for identifying acquisition opportunities within his or her region.

The Company has developed a set of financial, geographic and management criteria designed to assist management in the evaluation of acquisition candidates engaged in solid waste collection and disposal. These criteria consist of a variety of factors, including, but not limited to: (i) historical and projected financial performance; (ii) internal rate of return, return on assets and earnings accretion; (iii) experience and reputation of the acquisition candidate's management and customer service reputation and relationships with the local communities; (iv) composition and size of the acquisition candidate's customer base; (v) opportunity to enhance and/or expand

the Company's market area and/or ability to attract other acquisition candidates; (vi) whether the acquisition will augment or increase the Company's market share and/or help protect the Company's existing customer base; and (vii) internalization opportunities to be gained by combining the acquisition candidate with the Company's existing operations.

The Company utilizes an established integration procedure for newly acquired businesses designed to effect a prompt and efficient integration of the acquired business and minimize disruption to the on-going business of both the Company and the acquired business. Once a solid waste collection operation is acquired, the Company implements programs designed to reduce disposal costs and improve collection and disposal routing, equipment utilization, employee productivity, operating efficiencies and overall profitability. The Company typically seeks to retain the acquired company's qualified managers, key employees and selected local operations, while consolidating purchasing and other administrative functions through the Company's corporate offices.

There can be no assurance the Company will continue to be successful in executing its acquisition strategy. See "Risk Factors--Ability to Identify, Acquire and Integrate Acquisition Targets".

Service Area

The Company is managed on a decentralized basis, with its operations divided into three geographic regions: the Central, Eastern and Western Regions. These three regions are further divided into divisions organized around smaller market areas, known as "waste sheds", each of which contains the complete

cycle of activities in the solid waste service process, from "curb control" (collection) to transfer stations to landfill (disposal facility). The Company believes that it achieves a competitive advantage in its markets over non-integrated competitors by acquiring components of the waste shed and internalizing operations and activities with other owned or controlled components of the waste shed.

The following are the Company's three geographic regions that comprise the Company's service area:

Central Region

The Central Region consists of Vermont, northern and central New Hampshire and eastern upstate New York. The Company was founded in 1975 in Rutland, Vermont, and, through Casella Waste Management, has continued to grow its market presence in the Central Region. The Company owns and operates Subtitle D landfills in Bethlehem, New Hampshire; Coventry, Vermont and, through a 25-year capital lease, operates the Clinton County landfill located in Schuyler Falls, New York.

The Company owns the Waste USA landfill in Coventry, Vermont, one of two Subtitle D landfills in Vermont, and leases (with a right to purchase) the airspace above this landfill. The Company provides services in substantially all of the markets in Vermont.

The Company's New Hampshire market area consists of the northern and central (including Lebanon, Hanover, Concord and Plymouth) and certain southern portions of the state. The NCES landfill in Bethlehem, New Hampshire is owned by the Company. See "Risk Factors--Limitations on Landfill Permitting and Expansion".

The portion of upstate New York within the Company's Central Region extends from Interstate 90 north to the Canadian border and from the Vermont border west to Interstate 81 and the eastern shore of Lake Ontario. The Clinton County landfill operated by the Company is located in this area. The Company believes that certain segments of the Central Region will present opportunities for acquisitions and consolidations due to a trend toward privatization of landfills in this region.

Eastern Region

The Company's Eastern Region consists of the central and southern portions of Maine (including Bangor and Augusta) and southeastern New Hampshire. The Company established a market presence in Maine through the acquisition of the Sawyer Companies in December 1995. Through its Sawyer operations, the Company owns the SERF landfill located in Hampden, Maine, which processes ash, special waste and front end processing residue from a regional incinerator. In addition, the Company operates seven transfer stations, and collects solid waste from commercial, industrial and residential customers. The Company's waste tire processing facility, located in Eliot, Maine, has the capacity to process approximately 3.5 million tires per year and generates tire derived fuel, which the Company sells to paper mills for consumption as a supplemental energy source for boiler fuel.

Unlike the other states in the Company's existing market area, Maine has an aggressive incineration program and the Company believes that approximately 80% of the waste shed in the Company's market area is disposed of through incineration. However, approximately 45% of the tonnage delivered to incinerators is returned to landfills as ash and front end processing residue, and the Company believes it is the largest disposer of incinerated waste material in Maine.

Western Region

The Western Region is comprised of the south central, western and southern tier of upstate New York (including Ithaca, Elmira, Horsehead, Corning and Watkins Glen) and the northern tier of Pennsylvania. Through the acquisition of the Superior Disposal Services companies in January 1997, the Company established its market presence in the Western Region. The Company operates six transfer stations and twelve collection operations, and collects solid waste from commercial, industrial and residential customers in the Western Region.

In May 1998, the Company acquired a Subtitle D landfill in Angelica, New York, located in the Western Region. The Company believes that municipal landfills in this region typically lack a sufficiently large captive waste stream to adequately offset the high operating costs of such landfills and, accordingly, that

incentives exist for such landfills to be privatized. Privatization of landfills favors well-capitalized integrated operators, and creates opportunities for these operators to establish and consolidate waste sheds.

Operations

The Company's operations include the ownership and/or operation of landfills, solid waste collection services, transfer stations, recycling services and tire processing and other services.

Landfills

The Company currently owns four Subtitle D landfill operations and operates a fifth Subtitle D landfill under a long-term lease arrangement with a county. All of the Company's operating landfills include leachate collection systems, groundwater monitoring systems and, where required, active methane gas extraction and recovery systems.

The following table provides certain information regarding the landfills that the Company operates. All of such information is provided as of April 15, 1998, other than information regarding the Hyland landfill, which is presented as of May 4, 1998.

	Approximate Estimated Total Remaining	Estimated Additional Permittable

Landfill	Location	Permitted Capacity (Tons) (1)	Capacity (Tons) (2)
Clinton County (3)	Schuyler Falls, NY	1,209,493	1,160,000
Waste USA (4)	Coventry, VT	169,429	1,900,000
SERF	Hampden, ME	173,553	3,200,000
NCES	Bethlehem, NH	56,627	1,500,000
Hyland	Angelica, NY	1,800,000	5,000,000

(1) The Company converts estimated remaining permitted and permittable capacity calculated in cublic yards to tons by assuming a compaction factor of 1,550 pounds per cubic yard.
(2) Permittable capacity is available capacity which cannot be utilized until a necessary permit is obtained.
(3) Operated pursuant to a capital lease expiring in 2021.
(4) The Company leases the airspace above this landfill under a lease which expires in 2001 and contains an option to renew.

The Company regularly monitors the available permitted in-place disposal capacity at each of its landfills and evaluates whether to seek to expand this capacity. In making this evaluation, the Company considers various factors, including the volume of solid waste projected to be disposed of at the landfill, the size of the unpermitted capacity included in the landfill, the likelihood that the Company will be successful in obtaining the approvals and permits required for the expansion and the costs that would be involved in developing the expanded capacity. The Company also considers on an ongoing basis the extent to which it is advisable, in light of changing market conditions and/or regulatory requirements, to seek to expand or change the permitted waste streams at a particular landfill or to seek other permit modifications.

The permitting process is lengthy, difficult and expensive, and is subject to substantial uncertainty and there can be no assurance that any such permits or expansion requests will be granted. Often, even when permits are granted, they are not granted until the landfill's remaining capacity is very low. There can be no assurance that the Company will be able to add additional disposal capacity when needed or, if added, that such capacity can be added on satisfactory terms or at its landfills where expansion is most immediately needed. If the Company is not able to add additional disposal capacity when and where needed, it may need to dispose of its collected waste at its other landfills or at landfills owned by others. Such a circumstance could have a material adverse effect on the Company's business, financial condition and results of operations. See "Risk Factors--Limitations on Landfill Permitting and Expansion" and "--Comprehensive Government Regulation" and "--Potential Environmental Liability".

Set forth below is certain information concerning the Company's landfills.

Clinton County. The Clinton County landfill, located in Schuyler Falls, New York, is leased by the Company from Clinton County, New York pursuant to a 25-year capital lease which expires in 2021. See "--Property and Equipment".

Waste USA. The Waste USA landfill is located in Coventry, Vermont and serves the northern two-thirds of Vermont. The Company owns the landfill and leases the permitted air space capacity above the landfill through January 2001 with an option to renew the lease. The Company also has an option to purchase the company from which it leases the air space. The Waste USA landfill is subject to state regulations and practices that generally do not allow permits for more than five years of expected annual capacity. See "--Property and Equipment".

SERF. The SERF landfill is located in Hampden, Maine. The SERF landfill processes ash, special waste and front end processing residue (i.e., glass and other material segregated and disposed of separately from solid waste prior to incineration), for the Penobscot Energy Recovery Corporation's incinerator under a contract expiring in 2003. The Company has filed an application for a permit to expand the capacity of the landfill in three phases. The Company believes that most elements of the first two of the three phases of its planned

expansion are permittable under the grandfather provisions of local ordinances. Approval for the third phase of the Company's planned expansion will require the town of Hampden, Maine to amend a local ordinance. The Company may not succeed in its effort to amend that ordinance.

NCES. The NCES landfill, located in Bethlehem, New Hampshire, serves the northern and central New Hampshire waste sheds and portions of the Maine and Vermont waste sheds. In 1992, the town of Bethlehem adopted a zoning ordinance which precludes the "expansion of any existing landfills" which are not operated by the town. A proposed zoning ordinance change was defeated by town residents in March 1997 and March 1998, and it is not anticipated that another vote would take place until at least March 1999. The estimated total remaining permitted disposal capacity of the NCES landfill may be exhausted before the next vote takes place. There can be no assurance that the zoning ordinance changes will be approved by Bethlehem town voters. The Company has obtained the necessary state permit to expand its air space capacity, contingent on local approval. The Company believes that the proximity of the Waste USA landfill to the NCES landfill would enable the Company to redirect solid waste to the Waste USA landfill in the event that permitting takes longer than expected or if no expansion is allowed at NCES. If such redirection of solid waste is required, it may result in additional costs to the Company's operations.

Hyland. The Hyland landfill, located in Angelica, New York in Allegheny County, serves the Company's Western Region. The landfill has approximately 1,800,000 tons of permitted capacity, and is permitted to accept 156,000 tons of municipal solid waste annually. Prior to its acquisition by the Company in May 1998, the facility was fully constructed and permitted and had not accepted any waste for disposal. A law recently adopted by the Town of Angelica would prohibit the expansion of this landfill, require the landfill and the operator thereof to receive a permit to continue to operate, prevent the disposal of yard waste and certain types of industrial waste and impose certain other restrictions on the landfill. The Company has filed a lawsuit to obtain injunctive relief against the town's enforcement of this local law. See "--Legal Proceedings."

The Company also owns and/or operated five unlined landfills, which are not currently in operation. Three of these landfills have been closed and environmentally capped by the Company, and a fourth is in the final stages of obtaining governmental closure design approval. The fifth unlined landfill, a municipal landfill which is adjacent to the Subtitle D Clinton County landfill being operated by the Company, was operated by the Company from July 1996 through July 1997. The Company completed the closure and capping activities at this landfill in September 1997, and is indemnified by Clinton County for environmental liabilities arising from such landfill prior to the Company's operation. See "Risk Factors--Comprehensive Government Regulation" and "--Potential Environmental Liability".

Once the permitted capacity of a particular landfill is reached, the landfill must be closed and capped if additional capacity is not authorized. See "Risk Factors--Potential Inadequacy of Accruals for Closure and Post-Closure Costs" and "Recent Landfill Acquisition." The Company establishes reserves for the estimated costs associated with such closure and post-closure costs over the anticipated useful life of such landfill.

Solid Waste Collection

The Company's collection operations are generally conducted within a 125-mile radius of its landfills. A majority of the Company's commercial and industrial collection services are performed under one-to-

three-year service agreements, and fees are determined by such factors as collection frequency, type of equipment and containers furnished, the type, volume and weight of the solid waste collected, the distance to the disposal or processing facility and the cost of disposal or processing. The Company's residential collection and disposal services are performed either on a subscription basis (i.e., with no underlying contract) with individuals, or under contracts with municipalities, homeowners associations, apartment owners or mobile home park operators.

Transfer Station Services

The Company operated 39 transfer stations as of April 16, 1998, of which 13 were owned by the Company and 26 were operated under contracts with municipalities. The transfer stations receive, compact and transfer solid waste collected primarily from the Company's various collection operations to larger Company-owned vehicles for transport to landfills. The Company believes that transfer stations benefit the Company by: (i) increasing the size of the waste shed which has access to the Company's landfills; (ii) reducing costs by improving utilization of collection personnel and equipment; and (iii) building relationships with municipalities that may lead to future business opportunities, including privatization of the municipality's waste management services.

Recycling Services

The Company has positioned itself to provide recycling services to customers who are willing to pay for the cost of the recycling service. The proceeds generated from reselling the recycled materials are increasingly shared between the Company and its customers. In addition, the Company has adopted a pricing strategy of charging collection and processing fees for recycling volume collected from third parties. By structuring its recycling service program in this way, the Company has sought to reduce its exposure to commodity price risk with respect to the recycled materials.

The Company currently operates 16 recycling processing facilities. The Company processes more than 20 classes of recyclable materials originating from the municipal solid waste stream, including cardboard, office paper, containers and bottles. The Company's recycling operations are concentrated principally in Vermont, as the public sector in other states in the Company's service area has taken primary responsibility for recycling efforts.

Waste Tire Processing and Other Services

The Company's waste tire processing facility, located in Eliot, Maine, has the capacity to process approximately 3.5 million tires per year and generates tire derived fuel, which the Company sells to paper mills for consumption as a supplemental energy source for boiler fuel. In June 1997, the Company was selected by the State of Maine to process an estimated 2.5 million tires over an 18-month period. The Company believes that its waste tire processing operation has benefited from a favorable regulatory environment in Maine, where the state has mandated, and created financial incentives for, the cleanup of tire disposal centers, and from a strong market for tire derived fuel.

Competition

The solid waste services industry is highly competitive, fragmented, and requires substantial labor and capital resources. The Company competes with numerous solid waste management companies, many of which are significantly larger and have greater access to capital and greater financial, marketing or technical resources than the Company. Certain of the Company's competitors are large national companies that may be able to achieve greater economies of scale than the Company. The Company also competes with a number of regional and local companies. In addition, the Company competes with operators of alternative disposal facilities, including incinerators, and with certain municipalities, counties and districts that operate their own solid waste collection and disposal facilities. Public sector facilities may have certain advantages over the Company due to the availability of user fees, charges or tax revenues and the greater availability to them of tax-exempt financing. In addition, recycling and other waste reduction programs may reduce the volume of waste deposited in landfills.

The Company competes for collection and disposal volume primarily on the basis of the price and quality of its services. From time to time, competitors may reduce the price of their services in an effort

to expand market share or to win a competitively bid municipal contract. These practices may also lead to reduced pricing for the Company's services or the loss of business.

Competition exists within the industry not only for collection, transportation and disposal volume, but also for acquisition candidates. The Company generally competes for acquisition candidates with publicly owned regional and national waste management companies. See "Risk Factors--Highly Competitive Industry".

Marketing and Sales

The Company has a coordinated marketing and sales strategy which is formulated at the corporate level and implemented at the divisional level. The Company markets its services locally through division managers and direct sales representatives who focus on commercial, industrial, municipal and residential customers. As of March 31, 1998, the Company had 23 division managers and 25 direct sales representatives. The Company also obtains new customers from referral sources, its general reputation and local market print advertising. Leads are also developed from new building permits, business licenses and other public records. Additionally, each division generally advertises in the yellow pages and other local business print media that cover its service area.

Maintenance of a local presence and identity is an important aspect of the Company's marketing plan, and many of the Company's managers are involved in local governmental, civic and business organizations. The Company's name and logo, or, where appropriate, that of the Company's divisional operations, are displayed on all Company containers and trucks. Additionally, the Company attends and makes presentations at municipal and state conferences and advertises in governmental associations' membership publications.

The Company markets its commercial, industrial and municipal services through its sales representatives who visit customers on a regular basis and make sales calls to potential new customers. These sales representatives receive a significant portion of their compensation based upon meeting certain incentive targets. The Company emphasizes providing quality services and customer satisfaction and retention, and believes that its focus on quality service will help retain existing and attract additional customers.

Property and Equipment

The principal fixed assets used by the Company in connection with its landfill operations are its landfills which are described under "--Operations--Landfills". The four operating landfills owned by the Company are situated on sites owned by the Company.

The Clinton County landfill is operated under a capital lease scheduled to expire in 2021. The Company is generally obligated under the lease to expand the landfill at its own cost, subject to market forces and demand. The Clinton County landfill is not permitted to receive waste from certain geographic regions in New York and has a permitted capacity of 125,000 tons per year. The tipping fee paid for waste generated in Clinton County is fixed for 25 years subject to limited inflation increases during the term of the lease. During fiscal 1997, approximately 29% (by tonnage) of the solid waste disposed of at the Clinton County landfill was generated in Clinton County.

Under the lease, the Company is responsible for operating the landfill in compliance with all applicable environmental laws, including without limitation, possessing and complying with all necessary permits and licenses. The Company must indemnify the County for all liabilities resulting from any violations of those laws (exclusive of violations based on pre-existing conditions, which remain the responsibility of the County and with respect to which the County indemnifies the Company). In addition, the Company is responsible for the composition of waste deposited at the landfill during the lease term, regardless of the Company's knowledge or monitoring efforts. The lease gives the Company full physical and managerial control over an unlined landfill on the site, which was operated by the Company from July 1996 through July 1997, while the lined landfill was under construction. Clinton County has agreed to indemnify the Company for environmental liabilities arising from the unlined landfill prior to its operation by the Company. The Company is responsible for the closure of the unlined landfill, and post-closure care is the responsibility of the County. The Company is also responsible for performing certain cleanup work with respect to the unlined landfill and has

agreed to absorb the resulting costs subject to satisfactory construction of the lined portion. The Company is responsible for

both closure and post-closure care with respect to the lined landfill upon exhaustion of the corresponding airspace. See "--Operations; Landfills; Clinton County".

The Company owns the Waste USA landfill and leases the permitted airspace capacity above the landfill under a lease which is scheduled to expire in 2001 and which is extendable for an additional six years. The lease payments are made quarterly in an amount equal to the greater of (a) the rate of $3.75 per ton of all solid waste accepted at the landfill, as adjusted, or (b) $33,000. In addition, the Company has been granted options: (i) to purchase all of the stock of the lessor for $300,000; (ii) to purchase the leased airspace for $300,000; or (iii) to extend the term of the lease for the remaining permitted life of the landfill operation for $300,000. The Company may exercise the option at any time before January 25, 2001.

The Company's facility in Rutland, Vermont, consisting of approximately 10,000 square feet utilized for the Company's headquarters, and its recycling processing facility and office located in Montpelier, Vermont, consisting of an aggregate of approximately 24,000 square feet, are leased from Casella Associates, a company owned by John and Douglas Casella. See "Certain Transactions".

Employees

At January 31, 1998, the Company employed 1,053 full-time employees, including approximately 52 professionals or managers, approximately 930 employees involved in collection, transfer and disposal operations, and 71 sales, clerical, data processing or other administrative employees. None of the Company's employees are represented by unions. The employees of SDS of PA, Inc., located in Wellsboro, Pennsylvania, which the Company acquired in January 1997, rejected a measure in the first half of fiscal 1998 to select a union to represent the employees in labor negotiations with management. In addition, in the second half of fiscal 1998, the production workers of the Company's tire recycling facility in Maine rejected a measure to select a union to represent them in labor negotiations with management. An unfair labor charge was filed against the Company with the Region 1 office of the National Labor Relations Board in Boston, Massachusetts alleging that on the day the petition was received at the tire recycling facility, workers were improperly interrogated and/ or threatened by local management. The Company reached an agreement resolving these charges, with no liability to the Company. The Company is aware of no other organizational efforts among its employees. Through a labor utilization agreement, the Company utilizes the services of Clinton County employees at the Clinton County landfill. The Clinton County employees are represented by a labor union. The Company believes that its relations with its employees are good.

Risk Management, Insurance and Performance or Surety Bonds

The Company does not maintain insurance policies with respect to its exposure for environmental liability. The Company actively maintains environmental and other risk management programs which it believes are appropriate for its business. The Company's environmental risk management program includes evaluating existing facilities, as well as potential acquisitions, for environmental law compliance and operating procedures. The Company also maintains a worker safety program which encourages safe practices in the workplace. Operating practices at all Company operations are intended to reduce the possibility of environmental contamination and litigation.

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

availability of adequate insurance coverage.

Municipal solid waste collection contracts and landfill closure obligations may require performance or surety bonds, letters of credit or other means of financial assurance to secure contractual performance. The Company has not experienced difficulty in obtaining performance or surety bonds or letters of credit. If the Company were unable to obtain performance or surety bonds or letters of credit in sufficient amounts or at acceptable rates, it may be precluded from entering into additional municipal solid waste collection

contracts or obtaining or retaining landfill operating permits. See "Risk Factors--Inability to Obtain Performance or Surety Bonds, Letters of Credit or Insurance".

Regulation

Introduction

The Company is subject to extensive and evolving Federal, state and local environmental laws and regulations which have become increasingly stringent in recent years. The environmental regulations affecting the Company are administered by the EPA and other Federal, state and local environmental, zoning, health and safety agencies. The Company believes that it is currently in substantial compliance with applicable Federal, state and local environmental laws, permits, orders and regulations, and it does not currently anticipate any material environmental costs to bring its operations into compliance (although there can be no assurance in this regard). The Company anticipates there will continue to be increased regulation, legislation and regulatory enforcement actions related to the solid waste services industry. As a result, the Company attempts to anticipate future regulatory requirements and to plan accordingly to remain in compliance with the regulatory framework.

In order to transport solid waste, it is necessary for the Company to possess and comply with one or more permits from state or local agencies. These permits also must be periodically renewed and may be modified or revoked by the issuing agency.

The principal Federal, state and local statutes and regulations applicable to the Company's various operations are as follows:

The Resource Conservation and Recovery Act of 1976 ("RCRA")

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

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

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

all of the Subtitle C provisions issued by the EPA. Some state regulations impose different, additional obligations.

The Company is currently not involved with transportation or disposal of hazardous substances (as defined in CERCLA) in concentrations or volumes that would classify those materials as hazardous wastes. However, the Company has transported hazardous substances in the past and very likely will remain involved with hazardous substance transportation and disposal in the future to the extent that materials defined as hazardous substances under CERCLA are present in consumer goods and in the waste streams of its customers.

In October 1991, the EPA adopted the Subtitle D Regulations governing solid waste landfills. The Subtitle D Regulations, which generally became effective in October 1993, include location restrictions, facility design standards, operating criteria, closure and post-closure requirements, financial assurance

requirements, groundwater monitoring requirements, groundwater remediation standards and corrective action requirements. In addition, the Subtitle D Regulations require that new landfill sites meet more stringent liner design criteria (typically, composite soil and synthetic liners or two or more synthetic liners) intended to keep leachate out of groundwater and have extensive collection systems to carry away leachate for treatment prior to disposal. Groundwater monitoring wells must also be installed at virtually all landfills to monitor groundwater quality and, indirectly, the effectiveness of the leachate collection system. The Subtitle D Regulations also require, where certain regulatory thresholds are exceeded, that facility owners or operators control emissions of methane gas generated at landfills in a manner intended to protect human health and the environment. Each state is required to revise its landfill regulations to meet these requirements or such requirements will be automatically imposed by the EPA upon landfill owners and operators in that state. Each state is also required to adopt and implement a permit program or other appropriate system to ensure that landfills within the state comply with the Subtitle D Regulations criteria. Various states in which the Company operates or in which it may operate in the future have adopted regulations or programs as stringent as, or more stringent than, the Subtitle D Regulations.

The Federal Water Pollution Control Act of 1972

The Federal Water Pollution Control Act of 1972, as amended ("Clean Water Act"), regulates the discharge of pollutants from a variety of sources, including solid waste disposal sites and transfer stations, into waters of the United States. If run-off from the Company's transfer stations or if run-off or collected leachate from the Company's owned or operated landfills is discharged into streams, rivers or other surface waters, the Clean Water Act would require the Company to apply for and obtain a discharge permit, conduct sampling and monitoring and, under certain circumstances, reduce the quantity of pollutants in such discharge. Also, virtually all landfills are required to comply with the EPA's storm water regulations issued in November 1990, which are designed to prevent contaminated landfill storm water runoff from flowing into surface waters. The Company believes that its facilities are in compliance in all material respects with Clean Water Act requirements.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA")

CERCLA established a regulatory and remedial program intended to provide for the investigation and cleanup of facilities where or from which a release of any hazardous substance into the environment has occurred or is threatened. CERCLA's primary mechanism for remedying such problems is to impose strict joint and several liability for cleanup of facilities on current owners and operators of the site, former owners and operators of the site at the time of the disposal of the hazardous substances, as well as the generators of the hazardous substances and the transporters who arranged for disposal or transportation of the hazardous substances. In addition, CERCLA also imposes liability for the cost of evaluating and remedying any damage done to natural resources. The costs of CERCLA investigation and cleanup can be very substantial. Liability under CERCLA does not depend upon the existence or disposal of "hazardous waste" as defined by RCRA, but can also be founded upon the existence of even very small

amounts of the more than 700 "hazardous substances" listed by the EPA, many of which can be found in household waste. In addition, the definition of "hazardous substances" in CERCLA incorporates substances designated as hazardous or toxic under the federal Clean Water Act, Clear Air Act and Toxic Substances Control Act. If the Company were found to be a responsible party for a CERCLA cleanup, the enforcing agency could hold the Company, or any other generator, transporter or the owner or operator of the contaminated facility, responsible for all investigative and remedial costs even if others may also be liable. CERCLA also authorizes the imposition of a lien in favor of the United States upon all real property subject to, or affected by, a remedial action for all costs for which a party is liable. CERCLA provides a responsible party with the right to bring a contribution action against other responsible parties for their allocable shares of investigative and remedial costs. The Company's ability to get others to reimburse it for their allocable shares of such costs would be limited by the Company's ability to find other responsible parties and prove the extent of their responsibility and by the financial resources of such other parties.

The Clean Air Act

The Clean Air Act generally, through state implementation of Federal requirements, regulates emissions of air pollutants from certain landfills based upon the date of the landfill construction and volume per year of emissions of regulated pollutants. The EPA has promulgated new source performance standards regulating air emissions of certain regulated pollutants (methane and non-methane organic compounds) from municipal solid waste landfills. Landfills located in areas that do not comply with certain requirements of the Clean Air Act may be subject to even more extensive air pollution controls and emission limitations. In addition, the EPA has issued standards regulating the disposal of asbestos-containing materials.

All of the Federal statutes described above contain provisions authorizing, under certain circumstances, the institution of lawsuits by private citizens to enforce the provisions of the statutes. In addition to a penalty award to the United States, some of those statutes authorize an award of attorney's fees to parties successfully advancing such an action.

The Occupational Safety and Health Act of 1970 ("OSHA")

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

State and Local Regulations

Each state in which the Company now operates or may operate in the future has laws and regulations governing the generation, storage, treatment, handling, transportation and disposal of solid waste, water and air pollution and, in most cases, the siting, design, operation, maintenance, closure and post-closure maintenance of landfills and transfer stations. In addition, many states have adopted statutes comparable to, and in some cases more stringent than, CERCLA. These statutes impose requirements for investigation and cleanup of contaminated sites and liability for costs and damages associated with such sites, and some provide for the imposition of liens on property owned by responsible parties. Some of those liens may take priority over previously filed instruments. Furthermore, many municipalities also have local ordinances, laws and regulations affecting Company operations. These include zoning and health measures that limit solid waste management activities to specified sites or conduct, flow control provisions that direct the delivery of solid wastes to specific facilities or to facilities in specific areas, laws that grant the right to establish franchises for collection services and then put out for bid the right to provide collection services, and bans or other restrictions on the

movement of solid wastes into a municipality.

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

In addition, certain states and localities may for economic or other reasons restrict the export of waste from their jurisdiction or require that a specified amount of waste be disposed of at facilities within their jurisdiction. In 1994, the U.S. Supreme Court held unconstitutional, and therefore invalid, a local ordinance that sought to impose flow controls on taking waste out of the locality. However, certain state and local jurisdictions continue to seek to enforce such restrictions and, in certain cases, the Company may elect not to challenge such restrictions. In addition, the aforementioned proposed Federal legislation would allow states and localities to impose certain flow control restrictions. These restrictions could reduce the volume of waste going to landfills in certain areas, which may materially adversely affect the Company's ability to operate its landfills and/or affect the prices that can be charged for landfill disposal services. These restrictions may also result in higher disposal costs for the Company's collection operations. If the Company were unable to pass such higher costs through to its customers, the Company's business, financial condition and results of operations could be materially adversely affected.

There has been an increasing trend at the Federal, state and local levels to mandate or encourage both waste reduction at the source and waste recycling, and to prohibit or restrict the disposal in landfills of certain types of solid wastes, such as yard wastes, leaves and tires. The enactment of regulations reducing the volume and types of wastes available for transport to and disposal in landfills could affect the Company's ability to operate its landfill facilities.

Legal Proceedings

On or about October 30, 1997, Mr. Matthew M. Freeman commenced a civil lawsuit against the Company and two of the Company's officers and directors in the Rutland Superior Court, Rutland County, State of Vermont. In the complaint, Mr. Freeman seeks compensation for services allegedly performed by him prior to 1995. Mr. Freeman is seeking a three percent equity interest in the Company or the monetary equivalent thereof, as well as punitive damages. The Company and the officers and directors have answered the complaint, denied Mr. Freeman's allegations of wrongdoing, and asserted various defenses. In order to facilitate the completion of the Company's recent initial public offering, certain stockholders of the Company agreed to indemnify the Company for any settlement by the Company or any award against the Company in excess of $350,000 (but not including legal fees paid by or on behalf of the Company or any other party).

On May 12, 1998, the Company filed suit in New York Supreme Court, Allegheny County against the Town of Angelica, New York seeking a temporary restraining order and preliminary injunctive relief against the Town's enforcement of a recently enacted local law which would prohibit the expansion of the Hyland landfill, require the landfill and the operator thereof to receive a permit to continue to operate, prevent the disposal of yard waste and

certain types of industrial waste and impose certain other restrictions on the landfill. A temporary restraining order was granted by the court on May 14, 1998. See "Recent Landfill Acquisition."

In the normal course of its business and as a result of the extensive governmental regulation of the waste industry, the Company may periodically become subject to various judicial and administrative proceedings involving Federal, state or local agencies. In these proceedings, an agency may seek to impose fines on the Company or to revoke, or to deny renewal of, an operating permit held by the Company. In addition, the Company may become party to various claims and suits pending for alleged damages to persons and property, alleged violation of certain laws and for alleged liabilities arising out of matters occurring during the normal operation of the waste management business. However, there is no current proceeding or litigation involving the Company that it believes will have a material adverse effect upon the Company's business, financial condition and results of operations.

MANAGEMENT

Executive Officers, Directors and Certain Key Employees

The executive officers, directors and certain key employees of the Company and their ages as of March 31, 1998 are as follows:

Name	Age	Position
Executive Officers and Directors		
John W. Casella (1)	47	President, Chief Executive Officer, Chairman of the Board of Directors and Secretary
Douglas R. Casella	41	Vice Chairman of the Board of Directors
James W. Bohlig	51	Senior Vice President and Chief Operating Officer, Director
Jerry S. Cifor	36	Vice President and Chief Financial Officer, Treasurer
John F. Chapple III (2)	56	Director
Michael F. Cronin (1)(2)	44	Director
Kenneth H. Mead	39	Director
Gregory B. Peters (1)(2)	52	Director
Other Key Employees		
Robert G. Banfield, Jr.	35	Vice President, Hauling Operations
Michael P. Barrett	43	Vice President, Transportation and Recycling
Christopher M. DesRoches	40	Vice President, Sales and Marketing
Joseph S. Fusco	34	Vice President, Communications
James M. Hiltner	34	Regional Vice President
Michael Holmes	42	Regional Vice President
Larry B. Lackey	37	Vice President, Permits, Compliance and Engineering
Alan N. Sabino	38	Regional Vice President
Gary Simmons	48	Vice President, Fleet Management
Michael J. Viani	42	Vice President, Business Development

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

John W. Casella has served as President, Chief Executive Officer and Chairman of the Board of Directors of the Company since 1993, and has been Chairman of the Board of Directors of Casella Waste Management, Inc. since 1977. Mr. Casella has actively supervised all aspects of Company operations since 1976, sets overall corporate policies, and serves as chief strategic planner of corporate development. Mr. Casella is also an executive officer and director of Casella Construction, a company owned by Mr. Casella and Douglas R.

Casella which specializes in general contracting, soil excavation and related heavy equipment work. See "Certain Transactions." Mr. Casella has been a member of numerous industry-related and community service-related state and local boards and commissions including the Board of Directors of the Associated Industries of Vermont, The Association of Vermont Recyclers, Vermont State Chamber of Commerce and the Rutland Industrial Development Corporation. Mr. Casella has also served on various state task forces, serving in an advisory capacity to the Governor of Vermont on solid waste issues. Mr. Casella was an executive officer and director of Meridian Group, Inc. See "Certain Transactions" for a discussion of the Meridian bankruptcy. Mr. Casella holds an Associate of Science in Business Management from Bryant & Stratton University and a Bachelor of Science in Business Education from Castleton State College. Mr. Casella is the brother of Douglas R. Casella.

Douglas R. Casella founded the Company in 1975, and has been a director of the Company since that time. He has served as Vice Chairman of the Board of Directors of the Company since 1993 and has been President of Casella Waste Management, Inc. since 1975. Since 1989, Mr. Casella has been President of Casella Construction, a company owned by Mr. Casella and John W. Casella which specializes in general contracting, soil excavation and related heavy equipment work. See "Certain Transactions". Mr. Casella attended the University of Wisconsin's College of Engineering continuing education programs in sanitary landfill design, ground water remediation, landfill gas and leachate management and geosynthetics. Mr. Casella is the brother of John W. Casella.

James W. Bohlig joined the Company as Senior Vice President and Chief Operating Officer in 1993 with primary responsibility for business development, acquisitions and operations. Mr. Bohlig has served as a director of the Company since 1993. From 1989 until he joined the Company, Mr. Bohlig was Executive Vice President and Chief Operating Officer of Russell Corporation, a general contractor and developer based in Rutland, Vermont. In addition, Mr. Bohlig was the President and a director of Meridian Group, Inc. See "Certain Transactions" for a discussion of the Meridian bankruptcy. Mr. Bohlig is a licensed professional engineer. Mr. Bohlig holds a Bachelor of Science in Engineering and Chemistry from the U.S. Naval Academy, and is a graduate of the Columbia University Management Program in Business Administration.

Jerry S. Cifor joined the Company as Chief Financial Officer in January 1994. From 1992 to 1993, Mr. Cifor was Vice President and Chief Financial Officer of Earthwatch Waste Systems, a waste management company based in Buffalo, New York. From 1986 to 1991, Mr. Cifor was employed by Waste Management of North America, Inc., a waste management company, in a number of financial and operational management positions. Mr. Cifor is a certified public accountant and was with KPMG Peat Marwick from 1983 until 1986. Mr. Cifor is a graduate of Hillsdale College with a Bachelor of Arts in Accounting.

John F. Chapple III has served as a director of the Company since 1994. From August 1989 to July 1994, Mr. Chapple was President and owner of Catamount Waste Services, Inc., a central Vermont hauling and landfill operation, which was purchased by the Company in May 1994. Mr. Chapple is a graduate of Denison University and holds a Bachelor of Arts in Economics.

Michael F. Cronin has served as a director of the Company since December 1995. Mr. Cronin has been a general partner of Weston Presidio Management Company, a venture capital management firm, since 1991. Mr. Cronin is a graduate of Harvard College and holds an M.B.A. from the Harvard Graduate School of Business Administration.

Kenneth H. Mead has served as a director of the Company since January 1997. Mr. Mead has served since January 1997 as President of Materials Exchange Corporation, a consulting firm. From 1986 to January 1997, Mr. Mead was the President and principal stockholder of Superior Disposal Services, Inc. and certain related companies, the assets of which were acquired by the Company in January 1997.

Gregory B. Peters has served as a director of the Company since 1993. Mr. Peters has been a general partner of Vermont Venture Capital Partners, L.P., the General Partner of The Vermont Venture Capital Fund, L.P.; a general partner of North Atlantic Capital Partners, L.P., the General Partner of North Atlantic Venture Fund, L.P.; and a general partner of North Atlantic Investors, the General Partner of North Atlantic Venture Fund II L.P. Mr. Peters is a

graduate of Harvard College and holds an M.B.A. from the Harvard Graduate School of Business Administration.

Other Key Employees of the Company:

Robert G. Banfield, Jr. has served as Vice President, Hauling Operations of the Company since 1988. Mr. Banfield is a graduate of Merrimack College.

Michael P. Barrett has served as Vice President, Transportation and Recycling of the Company since January 1997. From June 1991 to January 1997, Mr. Barrett served as the Company's Division Manager for Transfer Stations, Recycling and Rutland Hauling.

Christopher M. DesRoches has served as Vice President, Sales and Marketing of the Company since November 1996. From January 1989 to November 1996, he was a regional vice president of sales of Waste Management, Inc., a solid waste company. Mr. DesRoches is a graduate of Arizona State University.

Joseph S. Fusco has served as Vice President, Communications of the Company since January 1995. From January 1991 through January 1995, Mr. Fusco was self-employed as a corporate and political communications consultant. Mr. Fusco is a graduate of the State University of New York at Albany.

James M. Hiltner has served as Regional Vice President of the Company since March 1998. From 1990 to March 1998, Mr. Hiltner was employed by Waste Management, Inc. including as region president (July 1996 through March 1998), where his responsibilities included overseeing that company's waste management operations in upstate New York and northwestern Pennsylvania, as a division president (from April 1992 through July 1996) and as general manager (from November 1990 through April 1992).

Michael Holmes has served as Regional Vice President of the Company since January 1997. From November 1995 to January 1997, Mr. Holmes was Vice President of Superior Disposal Services, Inc., which was acquired by the Company on January 1997. From November 1993 to November 1995, he was Superintendent of Recycling and Solid Waste for the town of Weston, Massachusetts Solid Waste Department where he managed all aspects of the town's recycling and solid waste services. From June 1983 to October 1992, he served as the Division Manager of all divisions in the Binghamton, N.Y. area and the Boston, Massachusetts area for Laidlaw Waste Services, Inc. Mr. Holmes is a graduate of Broome Community College.

Larry B. Lackey joined the Company in 1993 and has served as Vice President, Permits, Compliance and Engineering since 1995. From 1984 to 1993, Mr. Lackey was an Associate Engineer for Dufresne-Henry, Inc., an engineering consulting firm. Mr. Lackey is a graduate of Vermont Technical College.

Alan N. Sabino has served as Regional Vice President of the Company since July 1996. From 1995 to July 1996, Mr. Sabino served as a Division President of Waste Management, Inc. From 1989 to 1994, he served as Regional Operations Manager for Chambers Development Company, Inc., a waste management company. Mr. Sabino is a graduate of Pennsylvania State University.

Gary Simmons joined the Company in May 1997 as Vice President, Fleet Management. From 1995 to May 1997, Mr. Simmons served as National and Regional Fleet Service Manager for USA Waste Services, Inc., a waste management company. From 1977 to 1995, Mr. Simmons served in various fleet maintenance and management positions for Chambers Development Company, Inc.

Michael J. Viani joined the Company in 1994, and has served as Vice President, Business Development since 1995. From 1990 to 1994, Mr. Viani served as Manager of Business Development with Consumat Sanco, Inc., the owner of the Company's NCES landfill, which the Company purchased in 1994. Mr. Viani is a graduate of Middlebury College and of the University of Massachusetts.

See "Certain Transactions" and "Principal and Selling Stockholders" for certain information concerning the Company's directors and executive officers.

Election of Directors

The holders of Class A Common Stock, voting separately as a class, will at all times be entitled to elect at least one director. Mr. Michael F. Cronin is the designee of the holders of Class A Common Stock.

Messrs. John W. Casella, Douglas R. Casella, James W. Bohlig, Gregory B. Peters and John F. Chapple, III were elected to the Board of Directors pursuant to the 1995 Stockholders Agreement between the Company and certain of its stockholders. The 1995 Stockholders Agreement terminated upon completion of the Company's initial public offering. See "Risk Factors--Control by Casellas and Anti-Takeover Effect of Class B Common Stock" and "Description of Capital Stock".

The Board of Directors is divided into three classes, each of whose members serve for a staggered three-year term. Messrs. Douglas R. Casella, Michael F. Cronin and Kenneth H. Mead serve in the class whose term expires in 1998; Messrs. James W. Bohlig and Gregory B. Peters serve in the class whose term expires in 1999; and Messrs. John W. Casella and John F. Chapple III serve in the class whose term expires in 2000. Upon the expiration of the term of a class of directors, directors in such class will be elected for three-year terms at the annual meeting of stockholders in the year in which such term expires.

Compensation of Directors

The Company reimburses non-employee directors for expenses incurred in attending Board meetings. Non-employee directors of the Company receive stock options under the Company's 1997 Non-Employee Director Stock Option Plan (the "Directors' Plan"). The Directors' Plan provides that each non-employee director will receive an automatic grant of a nonqualified stock option to purchase 5,000 shares of Class A Common Stock upon initial election to the Board of Directors (vesting in three equal installments on each of the three anniversaries following the date of grant). An option to purchase 2,000 shares of Class A Common Stock will be granted to each incumbent non-employee director on the date of each annual meeting of stockholders beginning with the 1998 annual meeting (vesting in three equal annual installments beginning on the first anniversary of the date of grant). Options granted under the Directors' Plan expire ten years from the date of grant. The option price for options granted under the Directors' Plan is equal to the fair market value of a share of Class A Common Stock as of the date of grant. The Company has reserved a total of 50,000 shares of Class A Common Stock for issuance under the Directors' Plan, all of which are currently available for future grant.

Board Committees

The Board of Directors has established a Compensation Committee and an Audit Committee. The Compensation Committee, which consists of Messrs. John W. Casella, Michael F. Cronin and Gregory B. Peters, reviews executive salaries, administers any bonus, incentive compensation and stock option plans of the Company, and approves the salaries and other benefits of the executive officers of the Company. In addition, the Compensation Committee consults with the Company's management regarding pension and other benefit plans and compensation policies and practices of the Company. The Stock Plan Subcommittee of the Compensation Committee, consisting of Messrs. Cronin and Peters, administers the issuance of stock options and other awards under the Company's stock option plans to the Company's executive officers. The Audit Committee, which consists of Messrs. Chapple, Cronin and Peters, reviews the professional services provided by the Company's independent auditors, the independence of such auditors from management of the Company, the annual financial statements of the Company and the Company's system of internal accounting controls. The Audit Committee also reviews such other matters with respect to the accounting, auditing and financial reporting practices and procedures of the Company as it may find appropriate or as may be brought to its attention.

Executive Compensation

The following table sets forth, for the fiscal year ended April 30, 1997, the cash compensation paid and shares underlying options granted to (i) the Company's Chief Executive Officer, and (ii) each of the other executive officers who received annual compensation in excess of $100,000 (collectively,

the "Named Executive Officers"):

Summary Compensation Table

		Annual Compensation			Long-Term Compensation: Awards	
	Year	Salary	Bonus	Other Annual Compensation	Securities Underlying Options/SARs (#)	All Other Compensation
John W. Casella ..... President, Chief Executive Officer and Chairman	1998	$156,965	-- (1)	$14,279(2)	--	$ 500(3)
	1997	$136,141	$45,000	$22,755(1)	20,000	$ 985(3)
James W. Bohlig ..... Senior Vice President and Chief Operating Officer	1998	$146,591	$ -- (1)	--	--	--
	1997	$126,538	$45,000	--	30,000	--
Jerry S. Cifor ..... Vice President and Chief Financial Officer	1998	$126,235	-- (1)	--	--	$ 500(3)
	1997	$107,692	$38,000	--	16,000	$ 838(3)

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(1) The Company expects to pay a bonus to such person for fiscal 1998. The aggregate amount of such bonus was not calculable as of May 15, 1998 (the latest practicable date).

(2) Consists of life insurance premiums paid by the Company on behalf of the Named Executive Officer. (3) Consists of amount paid by the Company to the Named Executive Officer's account in the Company's 401(k) Plan.

(3) Consists of amount paid by the Company to the Named Executive Officer's account in the Company's 401(k) Plan.

Stock Options

No options to purchase shares of the Company's Class A Common Stock were granted to any of the Named Executive Officers of the Company during the fiscal year ended April 30, 1998.

Fiscal Year-End Option Values

The following table sets forth information for each of the Named Executive Officers concerning options to purchase Class A Common Stock exercised by the Named Executive Officers during fiscal 1998 and the number and value of options outstanding as of April 30, 1998.

Aggregated Option Exercises in Fiscal Year 1998
and Fiscal Year-End Option Values

	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at April 30, 1998 (#)		Value of Unexercised In-The-Money Options at April 30, 1998 ($)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
John W. Casella, President, Chief Executive Officer and Chairman	--	--	148,334	6,666	$4,324,402	$124,173
James W. Bohlig, Senior Vice President and Chief Operating Officer	--	--	300,000	10,000	$8,918,850	$186,250
Jerry S. Cifor, Vice President and Chief Financial Officer	20,000	$308,000	106,667	5,333	$3,077,792	$ 99,327

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(1) These values have been calculated on the basis of the last sale price of the Company's Class A Common Stock on the Nasdaq National Market as of April 30, 1998 of $31.125 per share, less the aggregate exercise price.

Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee of the Company's Board of Directors are Messrs. John W. Casella, Michael F. Cronin and Gregory B. Peters. Mr. Casella will abstain from Compensation Committee decisions regarding his own compensation. Mr. Casella has served as President and Chief Executive Officer of the Company since 1993.

In connection with the sale by the Company of its Series D Convertible Preferred Stock in December 1995, the Company entered into a Management Services Agreement with BCI Growth III, L.P., North Atlantic Venture Fund, L.P. and Vermont Venture Capital Fund, L.P., all of whom are stockholders of the Company. Under the Management Services Agreement, the Company agreed to pay a management fee of approximately $22,300 per month in consideration of certain advisory services provided by such stockholders to the Company. Gregory B. Peters, a director of the Company, is affiliated with North Atlantic Venture Fund, L.P. and The Vermont Venture Capital Fund, L.P.

The Company has from time to time engaged Casella Construction, Inc., a company owned by John and Douglas Casella, both executive officers, directors and significant stockholders of the Company, to provide construction services for the Company. In each of the fiscal years ended April 30, 1996, 1997 and 1998, the Company paid Casella Construction, Inc. $1,236,435, $2,155,618 and $4,212,656, respectively. The Company engaged Casella Construction, Inc. to close and cap the municipal unlined landfill located adjacent to the Clinton County landfill. The Company completed the closure and capping activities at this landfill in September 1997. The amount to be paid to Casella Construction, Inc. for this project is $2,465,000, of which $497,000 and $1,890,090 were paid in the fiscal years ended April 30, 1997 and 1998, respectively. In addition, the Company has retained Casella Construction, Inc. to close and cap a portion of the NCES landfill for a contract price of $1,600,000 of which approximately $1,478,400 was paid through April 30, 1998.

In August 1993, the Company entered into three real estate leases with Casella Associates, a Vermont partnership owned by John and Douglas Casella, relating to facilities occupied by the Company. One of these leases was terminated in fiscal 1997, for which the Company paid Casella Associates $191,869. The remaining leases, relating to the Company's corporate headquarters in Rutland, Vermont and its Montpelier, Vermont facility, call for aggregate monthly payments of approximately $18,000 and expire in April 2003. These leases have been classified by the Company as capital leases for financial reporting purposes. The lease agreements relating to the Rutland and Montpelier properties provide that if such agreements are terminated prior to their respective lease terms, either Casella Associates or the Company must pay to Albank an amount which represents 41.9% and 42.9%, respectively, of the then outstanding principal balance (which on April 30, 1998 was $867,594), on a term loan made by Albank to Casella Associates. In fiscal 1997, the Company purchased the land that is the site of the Company's current Middlebury, Vermont facility from Casella Associates for $122,000. In addition, the Company leases furniture and fixtures from Casella Associates pursuant to an operating lease which bears rent at $950 per month and expires in 1999. In each of the years ended April 30, 1996, 1997 and 1998, the Company paid Casella Associates an aggregate of $263,400, $558,380 and $253,318, respectively.

The Company operated an unlined landfill located in Whitehall, New York owned by Bola, Inc., a corporation owned by John and Douglas Casella which operated as a single-purpose real estate holding company. The Company paid the cost of closing this landfill in 1992, and has agreed to pay all post-closure obligations. In each of the fiscal years ended April 30, 1996, 1997 and 1998, the Company paid $14,502, $9,605, and $3,019 respectively, pursuant to this arrangement. The Company has accrued $104,772 for costs associated with its post-closure obligations. There can be no assurance that such accruals will be adequate to meet such obligations.

In connection with the settlement of certain litigation naming the Company, four of its subsidiaries, Messrs. James W. Bohlig and John W. and Douglas R. Casella and one unrelated person as defendants, the Company paid an aggregate of $450,000 plus approximately $200,000 in legal expenses incurred by the defendants. The lawsuit was brought derivatively in the name of Meridian Group, Inc. ("Meridian"), a Vermont corporation engaged in alternative energy project development which has been inactive since 1993, of which Messrs. Bohlig

and John Casella were officers, directors and stockholders, as well as individually in the names of the plaintiffs, who were also stockholders of Meridian. In response to the

lawsuit, in an effort to expedite adjudication, a majority of Meridian's directors, including Messrs. Bohlig and John Casella, voted to place Meridian into bankruptcy, and Meridian filed a petition under Chapter 7 of the Federal Bankruptcy Code ("Chapter 7"). The lawsuit was subsequently removed to the United States Bankruptcy Court for the District of Vermont. On July 14, 1997, the bankruptcy court approved the settlement. Messrs. John Casella and Bohlig were officers and directors of Meridian at the time Meridian filed the petition under Chapter 7.

On or about October 30, 1997, Mr. Matthew M. Freeman commenced a civil lawsuit against the Company and Messrs. John Casella and James Bohlig in the Rutland Superior Court, Rutland County, State of Vermont. In the complaint, Mr. Freeman seeks compensation for services allegedly performed by him prior to 1995. Mr. Freeman is seeking a three percent equity interest in the Company or the monetary equivalent thereof, as well as punitive damages. The Company and Messrs. Casella and Bohlig have answered the complaint, denied Mr. Freeman's allegations of wrongdoing, and asserted various defenses. In order to facilitate the completion of the Company's recent initial public offering, certain stockholders of the Company agreed to indemnify the Company for any settlement by the Company or any award against the Company in excess of $350,000 (but not including legal fees paid by or on behalf of the Company or any other party). The Company has agreed to indemnify Messrs. Casella and Bohlig for legal fees incurred by them in connection with the lawsuit, plus settlements or awards up to $350,000 in the aggregate.

Benefit Plans

1997 Stock Incentive Plan

The 1997 Stock Incentive Plan (the "1997 Incentive Plan") permits the Company to grant incentive stock options, non-statutory stock options, restricted stock awards and other stock-based awards, including the grant of shares based on certain conditions, the grant of securities convertible into Class A Common Stock and the grant of stock appreciation rights (collectively, "Awards"). Awards consisting of stock options may not be granted at an exercise price which is less than 100% of the fair market value of the Class A Common Stock on the date of grant and may not be granted for a term in excess of ten years. Subject to adjustment in the event of stock splits and other similar events, awards may be made under the 1997 Incentive Plan for up to the sum of (i) 1,308,500 shares of Class A Common Stock, plus (ii) such additional number of shares of Class A Common Stock as is equal to the aggregate number of shares which remain available subject to awards granted under the Terminated Plans (as defined below) which are not actually issued because such awards expire or otherwise result in shares not being issued.

Officers, employees, directors, consultants and advisors of the Company and its subsidiaries will be eligible to receive Awards under the 1997 Incentive Plan. The maximum number of shares with respect to which an Award may be granted to any participant under the 1997 Incentive Plan may not exceed 200,000 shares per calendar year.

The 1997 Incentive Plan is administered by the Compensation Committee of the Board of Directors, provided that the Stock Plan Subcommittee will administer the issuance of awards to the Company's executive officers. The Committee has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 1997 Incentive Plan and to interpret the provisions of the 1997 Incentive Plan. The Compensation Committee selects the recipients of Awards and determines (i) the number of shares of Class A Common Stock covered by options and the dates upon which such options become exercisable; (ii) the exercise price of options (which may not be less than 100% of fair market value on the date of grant); (iii) the duration of options (which may not exceed ten years); and (iv) the number of shares of Class A Common Stock subject to any restricted stock or other stock-based Awards and the terms and conditions of such Awards, including conditions for repurchase, issue price and repurchase price. The Board of Directors is required to make appropriate adjustments in connection with the 1997 Incentive

Plan and any outstanding Awards to reflect stock dividends, stock splits and certain other events. In the event of a merger, liquidation or other Acquisition Event (as defined in the 1997 Incentive Plan), outstanding Awards will be assumed unless the acquiring or succeeding corporation does not agree to assume such options, in which case the Board of Directors shall accelerate the Awards to make them fully exercisable prior to consummation of the Acquisition Event or provide for a cash-out of the value of any outstanding options. If any Award expires or is terminated, surrendered, canceled or

forfeited, the unused shares of Class A Common Stock covered by such Award will again be available for grant under the 1997 Incentive Plan.

Other Stock Option Plans

The Company has previously granted options to purchase shares of Class A Common Stock pursuant to the 1993 Incentive Stock Option Plan, the 1994 Nonstatutory Stock Option Plan and the 1996 Stock Option Plan (collectively, the "Terminated Plans"). In connection with the adoption of the Company's 1997 Incentive Stock Option Plan, the Company has ceased granting options under these plans; however, all stock options granted prior to the effectiveness of the 1997 Incentive Stock Option Plan will remain outstanding in accordance with their terms and the terms of the respective plans under which they were granted.

Employee Stock Purchase Plan

The Company's 1997 Employee Stock Purchase Plan (the "1997 Purchase Plan") is intended to allow eligible participating employees an opportunity to purchase shares of Class A Common Stock at a discount. A maximum of 300,000 shares of Class A Common Stock were authorized for issuance under the 1997 Purchase Plan. The 1997 Purchase Plan is administered by the Compensation Committee of the Board of Directors. All employees of the Company, except employees who own five percent or more of the Company's stock, whose customary employment is more than 20 hours per week and who have been employed by the Company for at least six months, are eligible to participate in the 1997 Purchase Plan. To participate in the 1997 Purchase Plan, an employee must authorize the Company to deduct an amount (up to ten percent of a participant's regular pay) from his or her pay during six-month periods commencing on May 1 and November 1, or the first business day thereafter, of each year (each a "Payment Period"). The maximum number of shares of Class A Common Stock that an employee may purchase in any Payment Period is determined by applying the formula stated in the 1997 Purchase Plan. The exercise price for the option for each Payment Period is 85% of the lesser of the average market price of the Company's Class A Common Stock on the first or last business day of the Payment Period. If an employee is not a participant on the last day of the Payment Period, such employee is not entitled to exercise his or her option, and the amount of his or her accumulated payroll deductions will be refunded. An employee's rights under the 1997 Purchase Plan terminate upon his or her voluntary withdrawal from the plan at any time or upon termination of employment.

Non-Employee Director Stock Option Plan

The Directors' Plan provides for the grant of options to purchase a maximum of 50,000 shares of Class A Common Stock of the Company to non-employee directors of the Company. The Directors' Plan is administered by the Board of Directors. The Directors' Plan provides that each non-employee director will receive an automatic grant of a nonqualified stock option to purchase 5,000 shares of Class A Common Stock upon initial election to the Board of Directors (vesting in three equal installments on each of the three anniversaries following the date of grant). An option to purchase 2,000 shares of Class A Common Stock will be granted to each incumbent non-employee director on the date of each annual meeting of stockholders beginning with the 1998 annual meeting (vesting in three equal annual installments beginning on the first anniversary of the date of grant). Options granted under the Directors' Plan expire ten years from the date of grant. The option price for options granted under the Directors' Plan is equal to the fair market value of a share of Class A Common Stock as of the date of grant.

401(k) Plan

Effective July 1996, the Company implemented a 401(k) Plan Savings and Retirement Plan (the "401(k) Plan"), a tax-qualified plan covering all of its employees who are at least 21 years of age and have completed six months of service with the Company. Each employee may elect to reduce his or her current compensation by up to 15%, subject to the statutory limit (a maximum of $10,000 in calendar 1998) and have the amount of the reduction contributed to the 401(k) Plan. Subject to Board approval, the Company may contribute an additional amount to the 401(k) Plan, up to $500 per individual per calendar year. Employees vest in Company contributions ratably over a three-year period.

CERTAIN TRANSACTIONS

In connection with the sale by the Company of its Series D Convertible Preferred Stock in December 1995, the Company entered into a Management Services Agreement with BCI Growth III, L.P., North Atlantic Venture Fund, L.P. and Vermont Venture Capital Fund, L.P., all of whom are stockholders of the Company. Under the Management Services Agreement, the Company agreed to pay a management fee of approximately $22,300 per month in consideration of certain advisory services provided by such stockholders to the Company. Gregory B. Peters, a director of the Company, is affiliated with North Atlantic Venture Fund, L.P. and The Vermont Venture Capital Fund, L.P.

The Company has from time to time engaged Casella Construction, Inc., a company owned by John and Douglas Casella, both executive officers, directors and significant stockholders of the Company, to provide construction services for the Company. In each of the three years ended April 30, 1996, 1997 and 1998, the Company paid Casella Construction, Inc. $1,236,435, $2,155,618 and $4,212,656, respectively. The Company engaged Casella Construction, Inc. to close and cap the municipal unlined landfill located adjacent to the Clinton County landfill. The Company completed the closure and capping activities at this landfill in September 1997. The amount to be paid to Casella Construction, Inc. for this project is $2,465,000, of which $497,000 and $1,890,000 were paid in the fiscal years ended April 30, 1997 and 1998, respectively. In addition, the Company has retained Casella Construction, Inc. to close and cap a portion of the NCES landfill for a contract price of $1,600,000, of which approximately $1,478,400 was paid through April 30, 1998.

In August 1993, the Company entered into three real estate leases with Casella Associates, a Vermont partnership owned by John and Douglas Casella, relating to facilities occupied by the Company. One of these leases was terminated in fiscal 1997, for which the Company paid Casella Associates $191,869. The remaining leases, relating to the Company's corporate headquarters in Rutland, Vermont and its Montpelier, Vermont facility, call for aggregate monthly payments of approximately $18,000 and expire in April 2003. These leases have been classified by the Company as capital leases for financial reporting purposes. The lease agreements relating to the Rutland and Montpelier properties provide that if such agreements are terminated prior to their respective lease terms, either Casella Associates or the Company must pay to Albank an amount which represents 41.9% and 42.9%, respectively, of the then outstanding principal balance (which on April 30, 1998 was $867,594), on a term loan made by Albank to Casella Associates. In fiscal 1997, the Company purchased the land that is the site of the Company's current Middlebury, Vermont facility from Casella Associates for $122,000. In addition, the Company leases furniture and fixtures from Casella Associates pursuant to an operating lease which bears rent at $950 per month and expires in 1999. In each of the three years ended April 30, 1996, 1997 and 1998, the Company paid Casella Associates an aggregate of $263,400, $558,380 and $253,318, respectively.

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such accruals will be adequate to meet such obligations.

In connection with the settlement of certain litigation naming the Company, four of its subsidiaries, Messrs. James W. Bohlig and John W. and Douglas R. Casella and one unrelated person as defendants, the Company paid an aggregate of $450,000 plus approximately $200,000 in legal expenses incurred by the defendants. The lawsuit was brought derivatively in the name of Meridian, a Vermont corporation which has been inactive since 1993, of which Messrs. Bohlig and John Casella were officers, directors and stockholders, as well as individually in the names of the plaintiffs, who were also stockholders of Meridian. In response to the lawsuit, in an effort to expedite adjudication, a majority of Meridian's directors, including Messrs. Bohlig and John Casella, voted to place Meridian into bankruptcy, and Meridian filed a petition under Chapter 7. The lawsuit was subsequently removed to the United States Bankruptcy Court for the District of Vermont. On July 14, 1997, the bankruptcy court approved the settlement. Messrs. John Casella and Bohlig were officers and directors of Meridian at the time Meridian filed the petition under Chapter 7.

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In connection with and at the time of the Company's acquisition of the business of Catamount Waste Services, Inc., the Company entered into a lease in June 1994 with CV Landfill, Inc., a Vermont corporation affiliated with Catamount Waste Services, Inc., pursuant to which the Company agreed to lease a transfer station for a term of 10 years. CV Landfill, Inc. is owned by John F. Chapple III, who became a director of the Company at the time of the acquisition of the business of Catamount Waste Services, Inc. Pursuant to the lease agreement, the Company pays monthly rent for the first five years at a rate of $5.00 per ton of waste disposed of at the transfer station, with a minimum rent of $6,650 per month. Following the fifth anniversary of the lease agreement, the Company pays monthly rent at a rate of $2.00 per ton, with a minimum rent of $2,500 per month. In each of the three years ended April 30, 1996, 1997 and 1998, the Company paid CV Landfill, Inc. $139,687, $136,729 and $96,894, respectively.

As part of the acquisition by the Company of the assets of Superior Disposal Service, Inc., Kerkim, Inc. and related companies in January 1997, the Company engaged Kenneth H. Mead, the sole stockholder of such companies, as a consultant for a five-year period ending in 2002. Upon such acquisition, Mr. Mead became a director of the Company. The consulting agreement, which also contains a non-competition covenant, provides that the Company will pay Mr. Mead (i) a fee for acquisitions of collection businesses made by the Company with Mr. Mead's active assistance within a defined geographic area, in an amount equal to one month's net revenue of any such acquired business; (ii) a fee of $500,000 for the acquisition by the Company with Mr. Mead's active assistance of any enumerated landfill within a defined geographic area; and (iii) a fee, in consideration of Mr. Mead's non-competition covenant, of $600,000 paid in installments of $200,000 on each of the first and second anniversaries of the date of the agreement and $100,000 on each of the third and fourth anniversaries. For the fiscal years ended April 30, 1997 and 1998, the Company paid Mr. Mead an aggregate of $231,000 and $201,871, respectively, pursuant to this agreement.

Each of the transactions described above has been approved or ratified by a disinterested majority of the Board of Directors. However, transactions between the Company and affiliates of John W. Casella and Douglas R. Casella were not negotiated, and accordingly the Company has no independent basis for

concluding whether or not the terms of such transactions were as favorable as could have been negotiated with unaffiliated third parties.

The Company adopted a policy in June 1994 which required the Company to obtain competitive bids for contracts with Casella Construction, Inc. in excess of $100,000. During the period that such policy was in place, the Company awarded two construction contracts greater than $100,000 in size to Casella Construction, Inc. without soliciting third party bids. In July 1997, the Company's Board of Directors adopted a policy for all related party transactions. The policy establishes guidelines, including (i) requiring all future transactions, including without limitation the purchase, sale or exchange of property or the rendering of any service, between the Company and its officers, directors, employees or other affiliates to (a) be approved by a majority of the members of the Board of Directors and by a majority of the disinterested members of the Board of Directors, and (b) be on reasonable terms no less favorable to the Company than could be obtained from unaffiliated third parties; and (ii) requiring a third party bid on all construction contracts in excess of $100,000.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Common Stock of the Company as of April 30, 1998, and as adjusted for the sale of the shares of Class A Common Stock offered hereby, by (i) each person or entity known to the Company to beneficially own more than five percent of the Company's Common Stock, (ii) each director and Named Executive Officer of the Company, (iii) all current directors and executive officers of the Company as a group, and (iv) each Selling Stockholder.

	Class A Common Stock				
	Owned Prior to the Offering		To be Sold in the Offering	To be Owned After the Offering	
Name of Beneficial Owner(1)	Number	%	Number	Number	%
John W. Casella(2)	728,983	6.84%	--	728,983	6.84%
Douglas R. Casella(3)	728,983	6.84%	--	728,983	6.84%
James W. Bohlig(4)	425,000	3.93%	--	425,000	3.93%
Jerry S. Cifor(5)	126,667	1.19%	--	126,667	1.19%
Gregory B. Peters(6)	299,161	2.85%	--	299,161	2.85%
John F. Chapple III	294,191	2.80%	--	294,191	2.80%
Kenneth H. Mead(7)	562,127	5.35%	--	562,127	5.35%
Michael F. Cronin(8)	775,370	7.38%	--	775,370	7.38%
BCI Growth III, L.P.(9)	985,912	9.39%	--	985,912	9.39%
Weston Presidio Capital II, L.P.(10)	775,370	7.38%	--	775,370	7.38%
Provident Investment Counsel, Inc.(11)	534,700	5.01%	--	534,700	5.01%
Directors and executive officers as a group (8 people)(12)	4,026,835	35.85%	--	4,026,835	35.85%
Selling Stockholders (13)					
Joseph M. Winters	42,739	*	38,985	3,754	*
Andrew B. Winters	42,739	*	38,985	3,754	*
Brigid Winters	128,216	1.12%	116,955	11,261	*
Sean Winters	42,739	*	38,985	3,754	*
Maureen Winters	81,525	*	38,974	42,551	*
Winters Family Partnership (14)	232,717	2.22%	0	232,717	2.22%

	Class B Common Stock				Total Common Stock
	Owned Prior to the Offering		To be Owned After the Offering		Voting Power After the Offering
Name of Beneficial Owner(1)	Number	%	Number	%	%
John W. Casella(2)	494,100	50%	494,100	50%	27.6%
Douglas R. Casella(3)	494,100	50%	494,100	50%	27.6%
James W. Bohlig(4)	--		--	--	2.1%
Jerry S. Cifor(5)	--	--	--	--	*
Gregory B. Peters(6)	--	--	--	--	1.5%
John F. Chapple III					1.4%
Kenneth H. Mead(7)	--	--	--	--	2.8%
Michael F. Cronin(8)	--	--	--	--	3.8%
BCI Growth III, L.P.(9)	--	--	--	--	4.8%
Weston Presidio Capital II, L.P.(10)	--	--	--	--	3.8%
Provident Investment Counsel, Inc.(11)	--	--	--	--	2.6%
Directors and executive officers as a group (8 people)(12)	988,200	100%	988,200	100%	65.5%
Selling Stockholders (13)					
Joseph M. Winters	--	--	--	--	*
Andrew B. Winters	--	--	--	--	*
Brigid Winters	--	--	--	--	*
Sean Winters	--	--	--	--	*
Maureen Winters	--	--	--	--	*
Winters Family Partnership (14)	--	--	--	--	1.1%

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* Less than 1% of the outstanding Common Stock.

(1) Beneficial ownership is determined in accordance with rules of the Commission, and includes generally voting power and/or investment power with respect to securities. Shares of Common Stock subject to options and/or warrants currently exercisable or exercisable within 60 days of the date hereof ("Currently Exercisable Options") are deemed outstanding for computing the percentage beneficially owned by the person holding such options but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as indicated by footnote, the Company believes that the persons named in this table, based on information provided by such persons, have sole voting and investment power with respect to the shares of Common Stock indicated.

(2) Includes 161,833 shares issuable pursuant to Currently Exercisable Options. Also includes 4,800 shares of Class A Common Stock held in trust for the benefit of Mr. Casella's minor children. Mr. Casella disclaims beneficial ownership of such shares. Mr. Casella's address is c/o Casella Waste Systems, Inc., 25 Greens Hill Lane, Rutland, VT 05701.

(3) Includes 161,833 shares issuable pursuant to Currently Exercisable Options. Also includes 1,600 shares of Class A Common Stock held in trust for the benefit of Mr. Casella's minor children. Mr. Casella disclaims beneficial ownership of such shares. Mr. Casella's address is c/o Casella Waste Systems, Inc., 25 Greens Hill Lane, Rutland, VT 05701.

(4) Includes 300,000 shares issuable pursuant to Currently Exercisable Options. Also includes 8,000 shares held in trust for the benefit of Mr. Bohlig's minor children. Mr. Bohlig disclaims beneficial ownership of such shares. Mr. Bohlig's address is c/o Casella Waste Systems, Inc., 25 Greens Hill Lane, Rutland, VT 05701.

(5) Includes 106,667 shares issuable pursuant to Currently Exercisable Options.

(6) Consists of 299,161 shares held by North Atlantic Venture Fund, L.P., of which Mr. Peters is a General Partner and The Vermont Venture Capital

Fund, L.P., of which Mr. Peters is the Managing General Partner. Mr. Peters disclaims beneficial ownership of such shares except to the extent of his pecuniary interest in such firms. The address of North Atlantic Venture Fund L.P. is 70 Center Street, Portland, ME 04140, and the address of The Vermont Venture Capital Fund, L.P. is Corporate Plaza, Suite 600, 76 St. Paul Street, Burlington, VT 05401.

(7) Mr. Mead's address is 1669 N.W. Loop, Ocala, FL 34475.

(8) Consists of 775,370 shares held by Weston Presidio Capital II, L.P., of which Mr. Cronin is a General Partner. Mr. Cronin disclaims beneficial ownership of such shares except to the extent of his pecuniary interest in such firm. Mr. Cronin's address is c/o Weston Presidio Capital II, L.P., One Federal Street, Boston, MA 02110.

(9) The address of BCI Growth III, LP is Glenpointe Centre West, Teaneck, NJ 07666

(10) The address of Weston Presidio Capital II, L.P. is One Federal Street, Boston, MA 02110.

(11) Based on information filed by such stockholder with the Securities and Exchange Commission on Schedule 13G for the year ended December 31, 1997. The address of Provident Investment Counsel, Inc. is 300 North Lake Avenue, Pasadena, CA 91101.

(12) Includes 730,333 shares issuable pursuant to Currently Exercisable Options.

(13) All of the Selling Stockholders were stockholders, or affiliates of stockholders, of All Cycle Waste, Inc. and Winters Brothers Inc., which were acquired by the Company in December 1997 in a transaction accounted for as a pooling of interests. Shares owned by each of the Selling Stockholders includes shares held in escrow to secure certain obligations of the Selling Stockholders to the Company pursuant to the acquistion agreement.

(14) Based on information provided to the Company, the beneficial owners of the Winters Family Partnership are Joseph M. Winters, Andrew B. Winters, Brigid Winters and Sean Winters.

DESCRIPTION OF CAPITAL STOCK

The following summary of certain provisions of the Company's Common Stock, Preferred Stock, Restated Certificate of Incorporation and Restated By-Laws is not intended to be complete and is qualified by reference to the provisions of applicable law and to the Company's Restated Certificate of Incorporation and Restated By-Laws included as exhibits to the Registration Statement. See "Additional Information".

Authorized Capital Stock

The authorized capital stock of the Company consists of 30,000,000 shares of Class A Common Stock, $0.01 par value per share, 1,000,000 shares of Class B Common Stock, $0.01 par value per share, and 1,000,000 shares of Preferred Stock, $0.01 par value per share.

Common Stock

The shares of Class A Common Stock and Class B Common Stock are identical in all respects, except for voting rights and certain conversion rights and transfer restrictions in respect of the shares of the Class B Common Stock, as described below. The number of authorized shares of any class or classes of capital stock of the Company may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the stock of the Company entitled to vote generally in the election of directors irrespective of the provisions

of Section 242(b)(2) of the General Corporation Law of the State of Delaware (the "Delaware Law") or any corresponding provision hereinafter enacted.

Voting Rights. The holders of Class A Common Stock are entitled to one vote per share. Holders of Class B Common Stock are entitled to ten votes per share. Holders of all classes of Common Stock entitled to vote will generally vote together as a single class on all matters presented to the stockholders for their vote or approval except that the holders of Class A Common Stock, voting separately as a class, will at all times be entitled to elect at least one director, and such director may be removed, with or without cause, only by the holders of the Class A Common Stock. Mr. Michael F. Cronin is the designee of the holders of Class A Common Stock.

Dividends. Holders of Class A Common Stock and Class B Common Stock are entitled to receive dividends at the same rate if, as and when such dividends are declared by the Board out of assets legally available therefor after payment of any dividends required to be paid on shares of Preferred Stock, if any. The Company may not make any dividend or distribution to any holder of any class of Common Stock unless simultaneously with such dividend or distribution the Company makes the same dividend or distribution with respect to each outstanding share of Common Stock regardless of class. In the case of a dividend or other distribution payable in shares of a class of Common Stock, including distributions pursuant to stock splits or divisions of Common Stock, only shares of Class A Common Stock may be distributed with respect to Class A Common Stock, and only shares of Class B Common Stock may be distributed with respect to Class B Common Stock. Whenever a dividend or distribution, including distributions pursuant to stock splits or divisions of the Common Stock, is payable in shares of a class of Common Stock, the number of shares of each class of Common Stock payable per share of such class of Common Stock shall be equal in number. In the case of dividends or other distributions consisting of other voting securities of the Company or of voting securities of any corporation which is a wholly-owned subsidiary of the Company, the Company shall declare and pay such dividends in two separate classes of such voting securities, identical in all respects except that (i) the voting rights of each such security issued to the holders of Class A Common Stock shall be one-tenth of the voting rights of each such security issued to holders of Class B Common Stock; (ii) such security issued to holders of Class B Common Stock shall convert into the security issued to the holders of Class A Common Stock upon the same terms and conditions applicable to the conversion of Class B Common Stock into Class A Common Stock and shall have the same restrictions on transfer and ownership applicable to the transfer and ownership of the Class B Common Stock; and (iii) with respect only to dividends or other distributions of voting securities of any corporation which is a wholly owned subsidiary of the Company, the respective voting rights of each such security issued to holders of Class A Common Stock and Class B Common Stock with respect to elections of directors shall otherwise be as comparable as is practicable to those of the Class A Common Stock and Class B Common Stock, respectively. In the case of dividends or other distributions consisting of

securities convertible into, or exchangeable for, voting securities of the Company or of voting securities of any corporation which is a wholly owned subsidiary of the Company, the Company shall provide that such convertible or exchangeable securities and the underlying securities be identical in all respects (including, without limitation, the conversion or exchange rate) except that the underlying securities may have the same differences as they would have if the Company issued voting securities of the Company or of a wholly owned subsidiary rather than issuing securities convertible into, or exchangeable for, such securities.

Restrictions on Additional Issuances And Transfer. The Company may not issue or sell any shares of Class B Common Stock or any securities (including, without limitation, any rights, options, warrants or other securities) convertible into, or exchangeable or exercisable for, shares of Class B Common Stock to any person who is not a Class B Permitted Holder. Additionally, shares of Class B Common Stock may not be transferred, whether by sale, assignment, gift, bequest, appointment or otherwise, to a person other than a Class B Permitted Holder. Notwithstanding the foregoing, (i) any Class B Permitted Holder may pledge his, her or its shares of Class B Common Stock to a financial institution pursuant to a bona fide pledge of such shares as collateral security for indebtedness due to the pledgee provided that such shares remain subject to the transfer restrictions and that, in the event of foreclosure or

other similar action by the pledgee, such pledged shares of Class B Common Stock may only be transferred to a Class B Permitted Holder or converted into shares of Class A Common Stock, as the pledgee may elect; and (ii) the foregoing transfer restrictions shall not apply in the case of a merger, consolidation or business combination of the Company with or into another corporation in which all of the outstanding shares of Common Stock and Preferred Stock of the Company regardless of class are purchased by the acquiror.

Conversion. Class A Common Stock has no conversion rights. Shares of Class B Common Stock are convertible into Class A Common Stock, in whole or in part, at any time and from time to time at the option of the holder, on the basis of one share of Class A Common Stock for each share of Class B Common Stock converted. Each share of Class B Common Stock will also automatically convert into one share of Class A Common Stock if, on the record date for any meeting of the stockholders of the Company, the number of shares of Common Stock held by the Class B Permitted Holders is less than 1,077,874 shares (subject to appropriate adjustment for stock splits, reverse stock splits, stock dividends and similar transactions). Additionally, at such time as a person ceases to be a Class B Permitted Holder, any share of Class B Common Stock held by such person at such time shall automatically convert into a share of Class A Common Stock. The Company covenants that (i) it will at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, such number of shares of Class A Common Stock issuable upon the conversion of all outstanding shares of Class B Common Stock; (ii) it will cause any shares of Class A Common Stock issuable upon conversion of a share of Class B Common Stock that require registration with or approval of any governmental authority under federal or state law before such shares may be issued upon conversion to be so registered or approved; and (iii) it will use its best efforts to list the shares of Class A Common Stock required to be delivered upon conversion prior to such delivery upon such national securities exchange upon which the outstanding Class A Common Stock is listed at the time of such delivery.

Reclassification and Merger. In the event of a reclassification or other similar transaction as a result of which the shares of Class A Common Stock are converted into another security, then a holder of Class B Common Stock will be entitled to receive upon conversion the amount of such other security that the holder would have received if the conversion occurred immediately prior to the record date of such reclassification or other similar transaction. No adjustments in respect of dividends will be made upon the conversion of any share of Class B Common Stock; except if a share is converted subsequent to the record date for the payment of a dividend or other distribution on shares of Class B Common Stock but prior to such payment, then the registered holder of such share at the close of business on such record date will be entitled to receive the dividend or other distribution payable on such date regardless of the conversion thereof or the Company's default in payment of the dividend due on such date.

In the event the Company enters into any consolidation, merger, combination or other transaction in which shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then, and in such event, the shares of each class of Common Stock will be exchanged

for or changed into either (i) the same amount of stock, securities, cash and/or any other property, as the case may be, into which or for which each share of any other class of Common Stock is exchanged or changed; provided, however, that if shares of Common Stock are exchanged for or changed into shares of capital stock, such shares so exchanged for or changed into may differ to the extent and only to the extent that the Class A Common Stock and the Class B Common Stock differ as provided in the Company's Restated Certificate of Incorporation, or (ii) if holders of each class of Common Stock are to receive different distributions of stock, securities, cash and/or any other property, an amount of stock, securities, cash and/or property per share having a value, as determined by an independent investment banking firm of national reputation selected by the Board of Directors, equal to the value per share into which or for which each share of any other class of Common Stock is exchanged or changed.

Liquidation. In the event of liquidation of the Company, after payment of the debts and other liabilities of the Company and after making provision for

the holders of Preferred Stock, if any, the remaining assets of the Company will be distributable ratably among the holders of the Class A Common Stock and Class B Common Stock treated as a single class.

Other Provisions. The holders of the Class A Common Stock and Class B Common Stock are not entitled to preemptive rights. None of the Class A Common Stock or Class B Common Stock may be subdivided or combined in any manner unless the other classes are subdivided or combined in the same proportion. The Company may not make any offering of options, rights or warrants to subscribe for shares of Class B Common Stock. If the Company makes an offering of options, rights or warrants to subscribe for shares of any other class or classes of capital stock (other than Class B Common Stock) to all holders of a class of Common Stock, then the Company is required to simultaneously make an identical offering to all holders of the other classes of Common Stock other than to any class the holders of which, voting as a separate class, agrees that such offering need not be made to such class. All such options, rights or warrants offerings shall offer the respective holders of Class A Common Stock and Class B Common Stock the right to subscribe at the same rate per share.

As used in this Prospectus, the term "Class B Permitted Holder" includes only the following persons: (i) John W. Casella or Douglas R. Casella and their respective estates, guardians, conservators or committees; (ii) the spouses of John Casella or Douglas Casella and their respective estates, guardians, conservators or committees; (iii) each descendant of John Casella or Douglas Casella (a "Casella Descendant") and their respective estates, guardians, conservators or committees; (iv) each Family Controlled Entity (as defined below); and (v) the trustees, in their respective capacities as such, of each Casella Family Trust (as defined below). The term "Family Controlled Entity" means (i) any not-for-profit corporation if at least a majority of its board of directors is composed of John Casella or Douglas Casella, their spouses and/or Casella Descendants; (ii) any other corporation if at least a majority of the value of its outstanding equity is owned by Class B Permitted Holders; (iii) any partnership if at least a majority of the economic interest of its partnership interests are owned by Class B Permitted Holders; and (iv) any limited liability or similar company if at least a majority of the economic interest of the Company is owned by Class B Permitted Holders. The term "Casella Family Trust" includes trusts the primary beneficiaries of which are John Casella or Douglas Casella, their spouses, Casella Descendants, siblings, spouses of Casella Descendants and their respective estates, guardians, conservator or committees and/or charitable organizations, provided that if the trust is a wholly charitable trust, at least a majority of the trustees of such trust consist of John Casella or Douglas Casella, their spouses and/or Class B Permitted Holders.

Preferred Stock

The Board of Directors is authorized, subject to any limitations prescribed by law, without stockholder approval, to issue up to 1,000,000 shares of Preferred Stock in one or more series. Each such series of Preferred Stock shall have such rights, preferences, privileges and restrictions, including voting rights, dividend rights, exchange rights, conversion rights, redemption privileges and liquidation preferences, as shall be determined by the Board of Directors. The rights of the holders of shares of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any shares of Preferred Stock that may be issued in the future. Preferred Stock may, at the discretion of the Board of Directors, be entitled to preference over the Common Stock with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding up. Additionally, the issuance of shares of Preferred

Stock could also decrease the amount of earnings and assets available for distribution to the holders of the Common Stock. If any cumulative dividends or amounts payable on a return of capital are not paid in full, shares of Preferred Stock of all issued series would participate ratably in accordance with the amounts that would be payable on such shares if all such dividends were declared and paid in full or the sums which would be payable on such shares on the return of capital if all amounts so payable were paid in full, as the case may be.

The purpose of authorizing the Board of Directors to issue Preferred Stock

and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of the outstanding voting capital stock of the Company. The Company has no present plans to issue any shares of Preferred Stock.

Delaware Law and Certain Charter and By-Law Provisions

The Company is subject to the provisions of Section 203 of the General Corporation Law of Delaware. In general, this statute prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person becomes an interested stockholder, unless the business combination is approved in a prescribed manner. An "interested stockholder" is a person who, together with affiliates and associates, owns (or within the prior three years did own) 15% or more of the corporation's voting stock.

The Company's Restated Certificate of Incorporation provides that vacancies on the Board of Directors may only be filled by a majority of the Board of Directors then in office. Furthermore, any director elected by the stockholders, or by the Board of Directors to fill a vacancy, may be removed only by a vote of 75% of the combined voting power of the shares of Common Stock entitled to vote for the election of directors (provided that the director elected by the holders of Class A Common Stock, voting separately as a class, may be removed only by the holders of at least 75% of the outstanding shares of Class A Common Stock).

The Company's Restated Certificate of Incorporation and Restated By-Laws provide that, after the closing of this Offering, any action required or permitted to be taken by the stockholders of the Company may be taken only at a duly called annual or special meeting of stockholders. These provisions could have the effect of delaying until the next stockholders meeting stockholder actions which are favored by the holders of a majority of the outstanding voting securities of the Company, especially since special meetings of stockholders may be called only by the Board of Directors or President of the Company. These provisions may also discourage another person or entity from making a tender offer for the Company's Common Stock, because such person or entity, even if it acquired a majority of the outstanding voting securities of the Company, would be able to take action as a stockholder (such as electing new directors or approving a merger) only at a duly called stockholders meeting, and not by written consent. The Restated By-laws also establish procedures, including advance notice procedures, with regard to the nomination, other than by or at the direction of the Board of Directors, of candidates for election as directors and other matters to be brought before stockholders meetings.

The foregoing provisions, which may be amended only by a 75% vote of the stockholders, could have the effect of making it more difficult for a third party to effect a change in the control of the Board of Directors. In addition, these provisions could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of the outstanding voting stock of the Company and may make more difficult or discourage a takeover of the Company.

The Company has also included in its Restated Certificate of Incorporation provisions to eliminate the personal liability of its directors for monetary damages resulting from breaches of their fiduciary duty to the extent permitted by Delaware General Corporation Law and to indemnify its directors and officers to the fullest extent permitted by Section 145 of the Delaware General Corporation Law.

Transfer Agent and Registrar

The transfer agent and registrar for the Class A Common Stock is Boston EquiServe, L.P., Boston, Massachusetts.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for the Company by Hale and Dorr LLP, Boston, Massachusetts.

EXPERTS

The audited financial statements of the Company included in this Prospectus and elsewhere in this Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

The audited financial statements of H.C. Gobin, Inc. included in this Prospectus and elsewhere in this Registration Statement have been audited by Barrett & Dattilio, P.C., independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF APRIL 30, 1996 AND APRIL 30, 1997 AND JANUARY 31, 1998 (UNAUDITED)
TOGETHER WITH AUDITORS' REPORT

Index to Financial Statements

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Casella Waste Systems, Inc. (a Delaware corporation) and subsidiaries as of April 30, 1996 and 1997, and the related consolidated statements of operations, redeemable preferred stock, redeemable put warrants and stockholders' equity (deficit) and cash flows for each of the three years ended April 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casella Waste Systems, Inc. and subsidiaries as of April 30, 1996 and 1997, and the results of their operations and their cash flows for each of the three years ended April 30, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
May 1, 1998

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	April 30,		January 31,
	1996	1997	1998
	(Restated, See Note 3)		(Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 469,974	$ 1,348,664	$ 2,305,000
Restricted funds--closure fund escrow	186,864	1,532,295	867,119
Accounts receivable--trade, less allowance for doubtful accounts of approximately $353,372, $721,859 and $1,331,397	7,024,928	14,107,269	18,142,867
Refundable income taxes	258,114	447,184	216,320
Prepaid income taxes	275,812	542,647	--
Prepaid expenses	672,526	906,002	1,388,979
Other current assets	314,710	744,876	419,120
Total current assets	9,202,928	19,628,937	23,339,405
Property and equipment, at cost:			
Land and land held for investment	2,122,225	3,292,501	4,339,432
Landfills	20,245,181	30,793,067	31,282,154
Landfill development	346,485	1,331,888	2,707,442
Buildings and improvements	4,965,605	12,353,425	14,000,667
Machinery and equipment	6,646,086	10,420,034	12,826,294
Rolling stock	13,986,313	21,665,867	29,700,218
Containers	6,356,702	11,305,328	14,645,127
	54,668,597	91,162,110	109,561,334
Less--accumulated depreciation and amortization	16,713,848	23,179,166	34,075,436
Property and equipment, net	37,954,749	67,982,944	75,485,898
Other assets:			
Intangible assets, net	13,480,284	49,038,616	72,378,063
Restricted funds--closure fund escrow	3,604,644	3,334,686	3,342,004
Other assets	650,723	897,261	780,620
	17,735,651	53,270,563	76,500,687
	$64,893,328	$140,882,444	$175,325,990

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Continued)

	April 30,		January 31,
	1996	1997	1998
	(Restated, See Note 3)		(Unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			

Current liabilities:			
Current maturities of long-term debt	$ 4,855,928	$ 6,272,631	$ 2,538,609
Current maturities of capital lease obligations	409,488	391,709	540,604
Accounts payable	3,702,426	9,034,286	9,641,137
Accrued payroll and related expenses	616,203	1,221,861	865,368
Accrued closure and postclosure costs, current portion	45,998	3,417,269	425,788
Deferred revenue	746,252	2,074,793	2,912,548
Other accrued expenses	1,031,331	2,793,683	2,684,567
Total current liabilities	11,407,626	25,206,232	19,608,621
Long-term debt, less current maturities	22,189,427	75,528,075	64,981,395
Capital lease obligations, less current maturities	1,913,384	1,373,177	1,465,246
Deferred income taxes	1,216,129	1,598,598	2,237,937
Accrued closure and postclosure costs, less current portion	5,225,191	4,909,983	5,843,740
Other long-term liabilities	519,427	364,456	319,739
Commitments and contingencies (Note 6)			
Redeemable preferred stock:			
Series A Redeemable with warrants exercisable for Class A Common Stock, $.01 par value (stated at redemption value)-- authorized--616,620 shares issued and outstanding--516,620, 516,620 and 0 shares	2,376,452	3,638,481	--
Series B Redeemable with warrants exercisable for Class A Common Stock, $.01 par value (stated at redemption value)--authorized--1,402,461 shares issued and outstanding--1,294,579, 1,294,579 and 0 shares	5,955,063	9,117,535	--
Series C Mandatorily Redeemable, $.01 par value ($7.00 redemption value)-- authorized--1,000,000 shares issued and outstanding--424,307, 424,307 and 0 shares	2,016,872	2,221,146	--
Series D Convertible Redeemable, $.01 par value (stated at redemption value)-- authorized--1,922,169 shares issued and outstanding--1,922,169, 1,922,169 and 0 shares	12,547,260	16,448,854	--
Redeemable put warrants to purchase 100,000 Shares of Class A Common Stock	400,000	400,000	--
Total redeemable preferred stock and redeemable put warrants	23,295,647	31,826,016	--
Stockholders' equity (deficit):			
Class A Common Stock-- authorized--30,000,000 shares, $.01 par value issued and outstanding--2,398,248, 3,457,792 and 10,502,780 shares	23,982	34,577	105,028
Class B Common Stock-- authorized--1,000,000 shares, $.01 par value; 10 votes per share issued and outstanding--1,000,000, 1,000,000 and 988,200 shares	10,000	10,000	9,882
Additional paid-in capital	1,087,577	10,975,884	95,645,281
Accumulated deficit	(1,995,062)	(10,944,554)	(14,890,879)
Total stockholders' equity (deficit)	(873,503)	75,907	80,869,312
	$ 64,893,328	$ 140,882,444	$ 175,325,990

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended April 30,			
	(Restated, See Note 3)			
	1995	1996	1997	Pro Forma 1997
				(Unaudited)
Revenues	$ 23,868,819	$ 42,829,606	$ 79,531,980	$109,613,000
Operating expenses:				
Cost of operations	13,720,820	25,136,434	48,057,143	69,070,000
General and administrative	2,909,041	7,063,375	12,534,396	16,526,000
Depreciation and amortization	4,815,430	8,152,358	13,694,564	18,122,000
	21,445,291	40,352,167	74,286,103	103,718,000
Operating income	2,423,528	2,477,439	5,245,877	5,895,000

Other (income) expenses:				
Interest income	(267,141)	(196,282)	(256,921)	(257,000)
Interest expense	2,093,014	2,813,731	4,546,800	3,690,000
Other expense (income), net	35,919	(90,354)	923,169	1,202,000
	1,861,792	2,527,095	5,213,048	4,635,000
Income before provision for income taxes and extraordinary items	561,736	(49,656)	32,829	1,260,000
Provision for income taxes	220,017	143,577	451,952	855,000
Income (loss) before extraordinary loss	341,719	(193,233)	(419,123)	405,000
Extraordinary items from extinguishment of debt (net of $168,098 income tax benefit) (Note 7)	--	(326,308)	--	--
Net income (loss)	341,719	$ (519,541)	$ (419,123)	$ 405,000
Accretion of Preferred Stock and Put Warrants	(2,380,296)	(2,966,705)	(8,530,369)	0
Net income (loss) applicable to common stockholders	$ (2,038,577)	$ (3,486,246)	$ (8,949,492)	$ 405,000
Basic Earnings (loss) per Share of Common Stock	$ (0.70)	$ (1.06)	$ (2.29)	$ 0.04
Basic Weighted Average Common Stock Shares Outstanding	2,900	3,279	3,913	10,646
Diluted Earnings (loss) per Share	$ (.70)	$ (1.06)	$ (2.29)	$ 0.04
Diluted Weighted Average Common Stock and Common Stock Equivalent Shares Outstanding	2,900	3,279	3,913	11,347

	Nine Months Ended January 31,		
	1997	1998	Pro Forma 1998
	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	$ 56,210,547	$ 87,321,036	$88,604,000
Operating expenses:			
Cost of operations	33,292,983	51,742,542	52,772,000
General and administrative	8,867,447	13,019,047	13,260,000
Depreciation and amortization	9,725,771	13,412,144	13,526,000
	51,886,201	78,173,733	79,558,000
Operating income	4,324,346	9,147,303	9,046,000
Other (income) expenses:			
Interest income	(171,481)	(177,949)	(178,000)
Interest expense	3,073,795	5,449,645	3,635,000
Other expense (income), net	105,192	2,604	162,000
	3,007,506	5,274,300	3,619,000
Income before provision for income taxes and extraordinary items	1,316,840	3,873,003	5,427,000
Provision for income taxes	959,957	1,950,403	2,581,000
Income (loss) before extraordinary loss	356,883	1,922,600	2,846,000
Extraordinary items from extinguishment of debt (net of $168,098 income tax benefit) (Note 7)	--	--	--
Net income (loss)	$ 356,883	$ 1,922,600	$ 2,846,000
Accretion of Preferred Stock and Put Warrants	(6,003,690)	(5,738,181)	0
Net income (loss) applicable to common stockholders	$ (5,646,807)	$ (3,815,581)	$ 2,846,000
Basic Earnings (loss) per Share of Common Stock	$ (1.51)	$ (0.56)	$ 0.25
Basic Weighted Average Common Stock Shares Outstanding	3,737	6,755	11,293
Diluted Earnings (loss) per Share	$ (1.51)	$ (.56)	$ 0.23
Diluted Weighted Average Common Stock and Common Stock Equivalent Shares Outstanding	3,737	6,755	12,340

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

CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED STOCK, REDEEMABLE PUT WARRANTS AND STOCKHOLDERS' EQUITY (DEFICIT)

	Redeemable Preferred Stock (Restated, See Note 3)			
	Series A Redeemable with Warrants Exercisable for Class A Common Stock		Series B Redeemable with Warrants Exercisable for Class A Common Stock	
	Number of Shares	Liquidation Value	Number of Shares	Liquidation Value
Balance, April 30, 1994	--	$ --	--	$ --
Adjustment in connection with pooling of interest	--	--	--	--
Issuance of Class A Common Stock and warrants	--	--	--	--
Accretion of put warrants	--	--	--	--
Net income	--	--	--	--
	--	--	--	--
Balance April 30, 1995	--	--	--	--
Capital contribution by pooled entity	--	--	--	--
Issuance of preferred stock and other capital transactions	516,620	2,376,452	1,294,579	5,955,063
Issuance costs	--	--	--	--
Accretion of preferred stock	--	--	--	--
Net loss	--	--	--	--
	516,620	2,376,452	1,294,579	5,955,063
Balance, April 30, 1996				
Issuance of Class A Common Stock in various acquisitions	--	--	--	--
Capital contribution by pooled entity	--	--	--	--
Accretion of preferred stock and warrants	--	1,262,029	--	3,162,472
Net loss	--	--	--	--
	516,620	3,638,481	1,294,579	9,117,535
Balance April 30, 1997				
Issuance of Common A Stock-Private Placement (unaudited)	--	--	--	--
Retirement of Common A Stock-Private Placement (unaudited)	--	--	--	--
Exercise of Employee Stock Options (unaudited)	--	--	--	--
Exercise of Redeemable Put Warrants (unaudited)	--	--	--	--
Redeemable Put Warrants Called (unaudited)	--	--	--	--
Accretion of Preferred Stock and Issuance Costs (unaudited)	--	706,617	--	1,770,686
Conversion of Convertible Preferred Stock (unaudited)	(516,620)	(4,345,098)	(1,294,579)	(10,888,221)
Redemption of Mandatorily Redeemable Preferred Stock (unaudited)	--	--	--	--
Issuance of Common A Stock-Publicly Traded- Net of Issuance Costs (unaudited)	--	--	--	--
Exercise of Common Stock Warrants (unaudited)	--	--	--	--
Conversion of class B common into class A (unaudited)	--	--	--	--
Distributions to Shareholders	--	--	--	--
Net income (unaudited)	--	--	--	--
	--	--	--	--
Balance, January 31, 1998 (unaudited)				

	Redeemable Preferred Stock (Restated, See Note 3)			
	Series C Mandatorily Redeemable		Series D Convertible Redeemable	
	Number of Shares	Liquidation Value	Number of Shares	Liquidation Value
Balance, April 30, 1994	--	$ --	--	$ --
Adjustment in connection with pooling of interest	--	--	--	--
Issuance of Class A Common Stock and warrants	--	--	--	--
Accretion of put warrants	--	--	--	--
Net income	--	--	--	--
	--	--	--	--
Balance April 30, 1995	--	--	--	--
Capital contribution by pooled entity	--	--	--	--
Issuance of preferred stock and other capital transactions	424,307	1,951,812	1,922,169	13,455,180
Issuance costs	--	--	--	(972,771)
Accretion of preferred stock	--	65,060	--	64,851
Net loss	--	--	--	--
Balance, April 30, 1996	424,307	2,016,872	1,922,169	12,547,260
Issuance of Class A Common Stock in various acquisitions	--	--	--	--
Capital contribution by pooled entity	--	--	--	--
Accretion of preferred stock and warrants	--	204,274	--	3,901,594
Net loss	--	--	--	--
Balance April 30, 1997	424,307	2,221,146	1,922,169	16,448,854
Issuance of Common A Stock-Private Placement (unaudited)	--	--	--	--
Retirement of Common A Stock-Private Placement (unaudited)	--	--	--	--
Exercise of Employee Stock Options (unaudited)	--	--	--	--
Exercise of Redeemable Put Warrants (unaudited)	--	--	--	--
Redeemable Put Warrants Called (unaudited)	--	--	--	--
Accretion of Preferred Stock and Issuance Costs (unaudited)	--	749,002	--	2,286,876
Conversion of Convertible Preferred Stock (unaudited)	--	--	(1,922,169)	(18,735,730)
Redemption of Mandatorily Redeemable Preferred Stock (unaudited)	(424,307)	(2,970,148)	--	--
Issuance of Common A Stock-Publicly Traded- Net of Issuance Costs (unaudited)	--	--	--	--
Exercise of Common Stock Warrants (unaudited)	--	--	--	--
Conversion of class B common into class A (unaudited)	--	--	--	--
Distributions to Shareholders	--	--	--	--
Net income (unaudited)	--	--	--	--
Balance, January 31, 1998 (unaudited)	--	--	--	--

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED STOCK, REDEEMABLE PUT WARRANTS AND STOCKHOLDERS' EQUITY (DEFICIT)
(Continued)

		Stockholders' Equity (Deficit) (Restated Note 3)			
		Class A Common Stock		Class B Common Stock	
	Redeemable Put Warrants	Number of Shares	$0.01 Par Value	Number of Shares	$0.01 Par Value
Balance, April 30, 1994	$ 61,662	1,355,000	$ 13,550	1,000,000	$10,000
Adjustment in connection with pooling of interest	--	156,019	1,560	--	--
Issuance of Class A Common Stock and warrants	700,000	744,191	7,442	--	--
Accretion of put warrants	2,380,296	--	--	--	--
Net income	--	--	--	--	--
Balance, April 30, 1995	3,141,958	2,255,210	22,552	1,000,000	10,000
Capital contribution by pooled entity		143,038	1,430	--	--
Issuance of preferred stock and other capital transactions	(2,741,958)	--	--	--	--
Issuance costs	--	--	--	--	--
Accretion of preferred stock	--	--	--	--	--
Net loss	--	--	--	--	--
Balance, April 30, 1996	400,000	2,398,248	23,982	1,000,000	10,000
Issuance of Class A Common Stock in various acquisitions	--	755,254	7,552	--	--
Capital contribution by pooled entity	--	304,290	3,043	--	--
Accretion of preferred stock and warrants	--	--	--	--	--
Net loss	--	--	--	--	--
Balance, April 30, 1997	400,000	3,457,792	34,577	1,000,000	10,000
Issuance of Common A Stock-Private Placement (unaudited)	--	109,131	1,091	--	--
Retirement of Common A Stock-Private Placement (unaudited)	--	(22,273)	(222)	--	--
Exercise of Employee Stock Options (unaudited)	--	40,000	400	--	--
Exercise of Redeemable Put Warrants (unaudited)	(100,000)	25,000	250	--	--
Redeemable Put Warrants Called (unaudited)	(300,000)	--	--	--	--
Accretion of Preferred Stock and Issuance Costs (unaudited)	--	--	--	--	--
Conversion of Convertible Preferred Stock (unaudited)	--	3,733,368	37,334	--	--
Redemption of Mandatorily Redeemable Preferred Stock (unaudited)	--	--	--	--	--
Issuance of Common A Stock-Publicly Traded-Net of Issurance Costs (unaudited)	--	3,000,000	30,000	--	--
Exercise of Common Stock Warrants (unaudited)	--	147,962	1,480	--	--
Conversion of Class B Common into Class A (unaudited)	--	11,800	118	(11,800)	(118)
Distributions to Shareholders (unaudited)	--	--	--	--	--

Net Income (unaudited)	--	--	--	--	--
Balance, January 31, 1998 (unaudited)	--	10,502,780	$105,028	988,200	$ 9,882

	Stockholders' Equity (Deficit) (Restated Note 3)		
	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity (Deficit)
Balance, April 30, 1994	$ 21,400	$ 692,967	$ 737,917
Adjustment in connection with pooling of interest	198,440	--	200,000
Issuance of Class A Common Stock and warrants	3,430,961	--	3,438,403
Accretion of put warrants	--	(2,380,296)	(2,380,296)
Net income	--	341,719	341,719
Balance, April 30, 1995	3,650,801	(1,345,610)	2,337,743
Capital contribution by pooled entity	273,570	--	275,000
Issuance of preferred stock and other capital transactions	(2,836,794)	--	(2,836,794)
Issuance costs	--	--	--
Accretion of preferred stock	--	(129,911)	(129,911)
Net loss	--	(519,541)	(519,541)
Balance, April 30, 1996	1,087,577	(1,995,062)	(873,503)
Issuance of Class A Common Stock in various acquisitions	9,366,350	--	9,373,902
Capital contribution by pooled entity	521,957	--	525,000
Accretion of preferred stock and warrants	--	(8,530,369)	(8,530,369)
Net loss	--	(419,123)	(419,123)
Balance, April 30, 1997	10,975,884	(10,944,554)	75,907
Issuance of Common A Stock-Private Placement (unaudited)	1,796,192	--	1,797,283
Retirement of Common A Stock-Private Placement (unaudited)	(445,237)	--	(445,459)
Exercise of Employee Stock Options (unaudited)	23,600	--	24,000
Exercise of Redeemable Put Warrants (unaudited)	249,750	--	250,000
Redeemable Put Warrants Called (unaudited)	--	(225,000)	(225,000)
Accretion of Preferred Stock and Issuance Costs (unaudited)	--	(5,513,181)	(5,513,181)
Conversion of Convertible Preferred Stock (unaudited)	33,931,715	--	33,969,049
Redemption of Mandatorily Redeemable Preferred Stock (unaudited)	--	--	--
Issuance of Common A Stock-Publicly Traded-Net of Issurance Costs (unaudited)	48,462,267	--	48,492,267
Exercise of Common Stock Warrants (unaudited)	651,110	--	652,590

Conversion of Class B Common into Class A (unaudited)	--	--	--
Distributions to Shareholders (unaudited)	--	(130,744)	(130,744)
Net Income (unaudited)	--	1,922,600	1,922,600
Balance, January 31, 1998 (unaudited)	$ 95,645,281	$ (14,890,879)	$ 80,869,312

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	April 30,		
	1995	1996	1997
		(Restated, See Note 3)	
Cash flows from operating activities:			
Net income (loss)	$ 341,719	$ (519,541)	$ (419,123)
Adjustments to reconcile net income (loss) to net cash provided by operating activities--			
Depreciation and amortization	4,815,430	8,152,358	13,694,564
(Gain) loss on sale of equipment	(61,429)	(41,003)	313,039
Provision (benefit) for deferred income taxes	186,017	568,585	138,913
Write-down of land under development	240,079	--	--
Extraordinary item--loss on extinguishment of debt	--	326,308	--
Changes in assets and liabilities, net of effects of acquisitions--			
Accounts receivable	(73,440)	(1,756,107)	(3,741,006)
Other current assets	158,356	697,560	(732,705)
Accounts payable	(900,955)	481,308	5,458,283
Accrued closure and postclosure costs	272,194	732,242	227,963
	4,636,252	9,161,251	15,359,051
Net cash provided by operating activities	4,977,971	8,641,710	14,939,928
Cash flows from investing activities:			
Acquisitions, net of cash acquired	(8,235,527)	(17,327,845)	(35,224,629)
Additions to property and equipment	(3,731,324)	(10,750,249)	(16,970,822)
Proceeds from sale of equipment	193,228	65,939	165,643
Funds held by trustees for acquisitions and other costs of acquisitions	1,473,874	--	--
Restricted funds--closure fund escrow	1,203,784	(213,630)	(625,473)
Other assets	(91,217)	17,352	(160,774)
Net cash used in investing activities	(9,187,182)	(28,208,433)	(52,816,055)
Cash Flows from Financing Activities:			
Proceeds from issuance of preferred stock, net of issuance costs	--	12,482,412	--
Payments to subordinated debtholders	--	(2,072,174)	--
Deferred debt acquisition costs	(513,083)	(125,260)	(400,326)
Capital contribution by pooled entity	--	275,000	525,000
Proceeds from issuance of common stock	--	--	--
Proceeds from issuance of stock warrants	14,025	--	--
Proceeds from exercise of stock warrants/options	--	--	--
Call of redeemable put warrants	--	--	--
Redemption of Series C Preferred Stock	--	--	--
Proceeds from long-term borrowings	22,385,173	23,590,667	47,228,190
Principal payments on long-term debt	(17,339,274)	(14,878,888)	(8,598,047)
Net cash provided by financing activities	4,546,841	19,271,757	38,754,817
Net increase in cash and cash equivalents	337,630	(294,966)	878,690
Cash and cash equivalents, beginning of period	427,310	764,940	469,974
Cash and cash equivalents, end of period	$ 764,940	$ 469,974	$ 1,348,664
Supplemental disclosures of cash flow information:			
Cash paid during the year for--			
Interest	$ 1,901,370	$ 2,481,075	$ 4,252,118
Income taxes	$ 217,159	$ 117,300	$ 598,190
Supplemental disclosures of noncash investing and financing activities:			
During fiscal 1996, the Company converted certain subordinated debt into redeemable preferred stock (see Note 7).			
Summary of entities acquired--			

Fair value of assets acquired	$28,868,134	$22,432,222	$67,106,000
Fair value of the issuance of the Company's stock and warrants	(4,021,000)	--	(9,373,904)
Cash paid	(8,235,527)	(17,327,845)	(35,224,629)
Liabilities assumed and notes payable to sellers	$16,611,607	5,104,377	$22,507,467

	Nine Months Ended January 31,	
	1997	1998
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income (loss)	356,883	$ 1,922,600
Adjustments to reconcile net income (loss) to net cash provided by operating activities--		
Depreciation and amortization	9,725,771	13,412,144
(Gain) loss on sale of equipment	145,183	(261,563)
Provision (benefit) for deferred income taxes	--	--
Write-down of land under development	--	--
Extraordinary item--loss on extinguishment of debt	--	--
Changes in assets and liabilities, net of effects of acquisitions--		
Accounts receivable	(3,253,381)	(1,953,379)
Other current assets	(114,850)	479,133
Accounts payable	4,231,636	(384,737)
Accrued closure and postclosure costs	1,339,353	(2,057,723)
	12,073,712	9,233,875
Net cash provided by operating activities	12,430,595	11,156,475
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(33,604,756)	(26,044,593)
Additions to property and equipment	(13,400,326)	(14,875,674)
Proceeds from sale of equipment	104,253	1,092,500
Funds held by trustees for acquisitions and other costs of acquisitions	--	--
Restricted funds--closure fund escrow	(432,564)	657,858
Other assets	(79,657)	(154,701)
Net cash used in investing activities	(47,413,050)	(39,324,610)
Cash Flows from Financing Activities:		
Proceeds from issuance of preferred stock, net of issuance costs	--	--
Payments to subordinated debtholders	--	--
Deferred debt acquisition costs	--	--
Capital contribution by pooled entity	--	--
Proceeds from issuance of common stock	525,000	48,492,267
Proceeds from issuance of stock warrants	--	--
Proceeds from exercise of stock warrants/options	--	826,590
Call of redeemable put warrants	--	(525,000)
Redemption of Series C Preferred Stock	--	(2,970,148)
Proceeds from long-term borrowings	45,876,446	113,665,178
Principal payments on long-term debt	(9,617,330)	(130,364,416)
Net cash provided by financing activities	36,784,116	29,124,471
Net increase in cash and cash equivalents	1,801,661	956,336
Cash and cash equivalents, beginning of period	469,974	1,348,664
Cash and cash equivalents, end of period	$ 2,271,635	$ 2,305,000
Supplemental disclosures of cash flow information:		
Cash paid during the year for--		
Interest	$ 3,055,893	$ 5,729,445
Income taxes	$ 598,515	$ 618,767
Supplemental disclosures of noncash investing and financing activities:		
During fiscal 1996, the Company converted certain subordinated debt into redeemable preferred stock		

(see Note 7).		
Summary of entities acquired--		
Fair value of assets acquired	$63,912,927	$ 31,964,366
Fair value of the issuance of the Company's stock and warrants	(9,373,903)	(1,351,823)
Cash paid	(33,604,756)	(26,044,593)
Liabilities assumed and notes payable to sellers	$20,934,268	$ 4,567,950

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATIONS

Casella Waste Systems, Inc. is a regional, integrated, non-hazardous solid waste services company that provides collection, transfer, disposal and recycling services in Vermont, New Hampshire, Maine, upstate New York and northern Pennsylvania.

The consolidated financial statements of the Company include the accounts of Casella Waste Systems, Inc. and its wholly owned subsidiaries: Casella Waste Management, Inc., New England Waste Services, Inc., New England Waste Services of Vermont, Inc., Bristol Waste Management, Inc., Sunderland Waste Management, Inc., Newbury Waste Management, Inc., North Country Environmental Services, Inc., Sawyer Environmental Recovery Facilities, Inc., Sawyer Environmental Services, Casella T.I.R.E.S., Inc., New England Waste Services of N.Y., Inc., Casella Waste Management of N.Y., Inc. and Casella Waste Management of Pennsylvania, Inc.

The consolidated balance sheets of Casella Waste Systems, Inc. and subsidiaries (the "Company") as of January 31, 1998, the consolidated statements of operations and consolidated statements of cash flows for the nine months ended January 31, 1997 and 1998, and the consolidated statement of redeemable preferred stock, redeemable put warrants and stockholders' equity for the nine months ended January 31, 1998 are unaudited. In the opinion of the Company's management, the interim financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for this interim period. The results of the Company's operations for the nine-month periods ended January 31, 1997 and 1998 are not necessarily indicative of the results to be expected for a full year or any future period.

The Company has restated the previously issued audited consolidated balance sheets dated April 30, 1996 and 1997, the previously issued audited consolidated statements of operations and statements of cash flows for the fiscal years ended April 30, 1995, 1996 and 1997, and the previously issued audited consolidated statement of redeemable preferred stock, redeemable put warrants and stockholders' equity for the three years ended April 30, 1997 to reflect the merger with All Cycle Waste, Inc. and Winters Brothers Inc. ("All Cycle") consummated on December 19, 1997, accounted for using the pooling of interests method of accounting. See Note 3.

On November 3, 1997, the Company completed the initial public offering (the "Offering") of 4,000,000 shares of its Class A Common Stock at a price of $18.00 per share. Of the shares sold, 3,000,000 shares were issued by the Company and 1,000,000 shares were offered for the benefit of selling stockholders. The net proceeds of the Offering to the Company was approximately $49.2 million, after deduction of underwriting discounts and estimated offering expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company's significant accounting policies follows:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company

and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Revenue Recognition

The Company recognizes revenues as the services are provided. Certain customers are billed in advance and, accordingly, recognition of the related revenues is deferred until the services are provided.

(d) Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, trade receivables, investments in closure trust funds, trade payables and debt instruments. The book values of cash and cash equivalents, trade receivables, investments in closure trust funds and trade payables approximate their respective fair values. The Company's debt instruments that are outstanding as of January 31, 1998 have carrying values that approximate their respective fair values. See Note 4 for the terms and carrying values of the Company's various debt instruments.

(e) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

(f) Closure Fund Escrow

Restricted funds held in trust consist of amounts on deposit with various banks that support the Company's financial assurance obligations for its facilities' closure and postclosure costs.

(g) Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. The Company provides for depreciation using the straight-line method by charges to operations in amounts that allocate the cost of the assets over their estimated useful lives as follows:

Asset Classification	Estimated Useful Life
Buildings and improvements	20-30 years
Machinery and equipment	2-10 years
Rolling stock	1-10 years
Containers	2-12 years

The cost of maintenance and repairs is charged to operations as incurred. Depreciation expense for the years ended April 30, 1995, 1996 and 1997 was $1,827,341, $3,269,639, and $6,929,283 respectively.

Capitalized landfill costs include expenditures for land and related airspace, permitting costs and preparation costs. Landfill permitting and

preparation costs represent only direct costs related to these activities, including legal, engineering and construction. Interest is capitalized on landfill permitting and construction projects and other projects under development while the assets are undergoing activities to ready them for their intended use. The interest capitalization rate is based on the Company's weighted average cost of indebtedness. No interest was capitalized for the years ended April 30, 1995 and 1996. Interest capitalized for the year ended April 30, 1997 was $182,418. Management routinely reviews its investment in operating landfills, transfer stations and other significant facilities to determine whether the costs of these investments are realizable.

Landfill permitting and acquisition costs, excluding the estimated residual value of land, are typically amortized as permitted airspace of the landfill is consumed. For many of the Company's landfills, preparation costs, which include the costs of construction associated with excavation, liners, site berms and the installation of leak detection and leachate collection systems, are also typically amortized as total permitted airspace of the landfill is consumed. In determining the amortization rate for these landfills,

preparation costs include the total estimated costs to complete construction of the landfills' permitted capacity. For other landfills, the landfill preparation costs are generally less significant and are amortized as the airspace for the particular benefited phase is consumed. Units-of-production amortization rates are determined annually for each of the Company's operating landfills. The rates are based on estimates provided by the Company's engineers and accounting personnel and consider the information provided by aerial surveys which are generally performed annually.

(h) Accrued Closure and Postclosure Costs

Accrued closure and postclosure costs include the current and noncurrent portion of accruals associated with obligations for closure and postclosure of the Company's operating and closed landfills. The Company, based on input from its engineers and accounting personnel, estimates its future cost requirements for closure and postclosure monitoring and maintenance for solid waste landfills based on its interpretation of the technical standards of the U.S. Environmental Protection Agency's Subtitle D regulations and the air emissions standards under the Clean Air Act as they are being applied on a state-by-state basis. Closure and postclosure monitoring and maintenance costs represent the costs related to cash expenditures yet to be incurred when a landfill facility ceases to accept waste and closes.

Accruals for closure and postclosure monitoring and maintenance requirements in the U.S. consider final capping of the site, site inspection, groundwater monitoring, leachate management, methane gas control and recovery, and operation and maintenance costs to be incurred during the period after the facility closes. Certain of these environmental costs, principally capping and methane gas control costs, are also incurred during the operating life of the site in accordance with the landfill operation requirements of Subtitle D and the air emissions standards. Reviews of the future cost requirements for closure and postclosure monitoring and maintenance for the Company's operating landfills by the Company's engineers and accounting personnel are performed at least annually and are the basis upon which the Company's estimates of these future costs and the related accrual rates are revised. The Company provides accruals for these estimated costs as the remaining permitted airspace of such facilities is consumed.

The states in which the Company operates require a certain portion of these accrued closure and postclosure obligations to be funded at any point in time. Accordingly, the Company has placed $3,790,458 and $4,396,715, at April 30, 1996 and 1997 respectively, in restricted investment accounts to fund these future obligations.

In addition, the Company has been required to post a surety bond or bank

letter of credit to secure its obligations to close its landfills in accordance with environmental regulations. At April 30, 1997, the Company had provided letters of credit totaling $2,698,606 to secure the Company's landfill closure obligations, expiring between May 1997 and June 1998.

(i) Intangible Assets

Goodwill is the cost in excess of fair value of identifiable assets of acquired businesses and is amortized on the straight-line method over periods not exceeding 40 years. Other intangible assets include covenants not to compete and customer lists and are amortized on the straight-line method over their estimated useful lives, typically no more than 10 years. The Company continually evaluates whether events and circumstances have occurred subsequent to an acquisition that indicate the remaining estimated useful life or carrying value of these intangible assets may warrant revision. When factors indicate that these assets should be evaluated for possible impairment, the Company uses an estimate of the related business segment's undiscounted cash flows over the remaining life of the asset in measuring recoverability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred debt acquisition costs are capitalized and amortized over the life of the related debt using the effective interest method.

Intangible assets at April 30, 1996 and 1997 and January 31, 1998 consist of the following:

	April 30,		(Unaudited)
	1996	1997	January 31, 1998
Goodwill	$10,413,655	$45,074,613	$66,191,198
Covenants not to compete	4,843,826	6,015,777	8,586,762
Customer lists	459,570	431,201	419,762
Deferred debt acquisition costs and other	412,702	710,497	2,176,643
	16,129,753	52,232,088	77,374,365
Less--accumulated amortization	2,649,469	3,193,472	4,996,302
	$13,480,284	$49,038,616	$72,378,063

Effective May 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of. In accordance with SFAS No. 121, the Company evaluates the recoverability of its carrying value of the Company's long-lived assets and certain intangible assets based on estimated undiscounted cash flows to be generated from each of such assets as compared to the original estimates used in measuring the assets. To the extent impairment is identified, the Company reduces the carrying value of such impaired assets. The change did not have a material impact on the Company's financial statements.

(j) Income Taxes

The Company records income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Under SFAS No. 109, deferred income taxes are recognized based on the expected future tax consequences of differences between the financial statement basis and the tax basis of assets and liabilities, calculated using enacted tax rates in effect for the year in which the

differences are expected to be reflected in the tax return.

(k) Unaudited Pro Forma Presentation

The unaudited pro forma statement of operations gives effect to (i) the acquisitions completed during fiscal 1997; (ii) the acquisition of substantially all of the assets of H.C. Gobin, Inc. in fiscal 1998; and (iii) the application of the estimated net proceeds from the Company's initial public offering, after deducting the underwriting discount and offering expenses paid by the Company, as if each had occurred on May 1, 1996. Also, all outstanding shares of Redeemable Preferred Stock, including the Redeemable Preferred Stock with warrants, which automatically converted into Class A Common Stock upon the closing of the Company's initial public offering, are assumed to be converted to Class A Common Stock at the time of issuance.

Pro forma net income per share of common stock includes the effect of dilutive stock options and warrants, which are considered common stock equivalents, using the treasury stock method. Pro forma net income per share of common stock also assumes the elimination of preferred stock accretion and interest expense relating to the assumed preferred stock redemption and debt reduction with the proceeds from the Company's initial public offering. Pro forma weighted average shares outstanding includes the shares issued by the Company in the initial public offering, the proceeds of which were used to redeem the Series C Mandatorily Redeemable Preferred Stock and reduce certain outstanding debt.

3. BUSINESS COMBINATIONS

Transaction Recorded as a Pooling of Interests

On December 19, 1997, the Company completed its merger with All Cycle Waste, Inc. and Winters Brothers, Inc. (together--"All Cycle") in a business combination recorded as a pooling of interests and accordingly the accompanying financial statements have been restated to include the accounts and operations of All Cycle for all periods presented. The two businesses acquired were under common control, and the transaction was considered to be and accounted for as a single acquisition. All Cycle Waste, Inc. is a solid waste collection and transfer operation in Chittenden County, Vermont. Winters Brothers, Inc. owns the real estate that All Cycle Waste Inc. operates out of in Williston, Vermont. The Company issued 416,103 shares of its class A common stock for all of the outstanding stock of All Cycle Waste, Inc. and 187,244 shares of its class A common stock for all of the outstanding stock of Winters Brothers, Inc.

Prior to December 19, 1997, Casella Waste Systems, Inc., and All Cycle Waste, Inc. incurred disposal expense and All Cycle Waste, Inc. earned disposal revenue through the normal operations of the acquired company's waste transfer station. In addition, Winters Brothers, Inc. earned rental income and All Cycle Waste, Inc. incurred rental expense on the acquired companies' facility in Williston, Vermont. These transactions have been eliminated in the accompanying financial statements.

Following is a reconciliation of the amounts (in thousands) of net sales and net income previously reported for the years ended April 30, 1995, 1996 and 1997:

	Year ended 4/30/95	Year ended 4/30/96	Year ended 4/30/97

Revenues:			
As previously reported	$20,873	$38,109	$ 73,176
Acquired company	2,996	4,721	7,358
Elimination of intercompany revenue	--	--	(1,002)
As restated	$23,869	$42,830	$ 79,532
Net income (loss):			
As previously reported	$ 302	$ (274)	$ (12)
Acquired companies	40	(246)	(407)
As restated	$ 342	$ (520)	$ (419)

Transactions Recorded as Purchases

During fiscal 1995 and 1996, the Company completed 7 and 17 acquisitions, respectively, including two landfills in 1995 and one landfill in 1996. During the year ended April 30, 1997, the Company completed 25 acquisitions, including the 25-year capital lease of a landfill. During the nine months ended January 31, 1998, the Company acquired 22 solid waste hauling operations, exclusive of the All Cycle Waste Inc. transaction discussed above. These transactions were accounted for as purchases. The operating results of these businesses are included in the Consolidated Statement of Operations from the dates of acquisition. The purchase prices have been allocated to the net assets acquired based on fair values at the dates of acquisition with the residual amounts allocated to goodwill.

3. BUSINESS COMBINATIONS (Continued)

The purchase prices allocated to the net assets acquired were as follows (rounded to thousands):

	Fiscal Year Ended April 30,			(Unaudited) Nine Months Ended
	1995	1996	1997	January 31, 1998
Accounts receivable and prepaid expenses	$ 1,620	$ 2,947	$ 4,127	$ 2,164
Investments--restricted	3,335	1,240	450	0
Landfills	13,477	3,495	8,013	0
Property and equipment	4,335	7,451	17,378	7,207
Covenants not to compete and customer lists	1,034	2,060	2,445	2,689
Goodwill	5,137	5,240	34,694	20,162
Deferred taxes	(329)	(806)	(73)	(326)
Debt and notes payable	(12,169)	(3,738)	(6,709)	(2,660)
Other liabilities assumed	(4,184)	(561)	(15,726)	(1,839)
Total consideration	$ 12,256	$ 17,328	$ 44,599	$ 27,397

The following unaudited pro forma combined information (rounded to thousands) shows the results of the Company's operations for the years ended April 30, 1996 and 1997, as though each of the completed acquisitions had occurred as of May 1, 1995, and for the nine months ended January 31, 1998, as though each of the completed acquisitions had occurred as of May 1, 1996.

Fiscal Year Ended (Unaudited)

	April 30,		Nine Months Ended
	1996	1997	January 31, 1998
Revenues	$ 84,129	$126,970	$ 97,566
Operating Income	6,882	9,414	9,875
Net Income (Loss)	(1,122)	(197)	1,827
Preferred Stock & Put Warrant Accretion	(2,967)	(8,530)	(5,738)
Net Income (Loss) Available to Common Shareholders	(4,089)	(8,727)	(3,911)
Pro forma income (loss) per share of common stock	$ (1.25)	$ (2.23)	$ (.58)
Weighted average basic shares outstanding	3,279	3,913	6,755

The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the acquisitions taken place as of May 1, 1996 or May 1, 1997, or the results of future operations of the Company. Furthermore, the pro forma results do not give effect to all cost savings or incremental costs that may occur as a result of the integration and consolidation of the completed acquisitions.

4. LONG-TERM DEBT

Long-term debt as of April 30, 1996 and 1997 and January 31, 1998 consists of the following (in thousands):

	April 30,		(Unaudited) January 31,
	1996	1997	1998
Advances on a bank acquisition line, which provides for advances of up to $150,000,000 due January 12, 2003. Interest on outstanding advances accrues at the bank's base rate (8.75% at January 31, 1998), payable monthly in arrears. The debt is collateralized by all assets of the Company, whether now owned or hereafter acquired	$ 9,201	$52,359	$55,435
Term note payable to a bank, secured by all assets of the Company (whether now owned or hereafter acquired), bearing interest at the bank's base rate plus .25% per annum, due in quarterly installments of $302,083 (plus accrued interest) through July 31, 2002, repaid in fiscal 1998	9,166	6,667	--
Term note payable to a bank, secured by all assets of the Company (whether now owned or hereafter acquired), bearing interest at the bank's base rate plus .25% per annum, due in annual installments of $250,000 (plus accrued interest) from July 31, 1999 to July 31, 2002 and quarterly installments of $196,429 (plus accrued interest) through July 31, 2004, repaid in fiscal 1998	3,536	2,764	--
Notes payable in connection with businesses acquired, bearing interest at rates of 7% to 10%, due in monthly installments ranging from $939 to $11,152, expiring September 1998 through January 2007, repaid in fiscal 1998	2,629	6,508	5,147
Payments due to Clinton County, discounted at 4.75%, due in quarterly installments of $375,046 through March 2003	--	7,796	6,938
Notes payable of pooled entity, secured by assets purchased, bearing interest at rates of 6% to 30%, due in monthly installments ranging from $278 to $22,284 expiring August 1998 through October 2004	2,513	5,707	--

	27,045	81,801	67,520
Less--current portion	4,856	6,273	2,539
	$22,189	$75,528	$64,981

4. LONG-TERM DEBT (Continued)

On March 12, 1997, the Company entered into a three-year interest rate swap agreement (the Swap Agreement) with a bank. The purpose was to effectively convert a portion of the Company's interest rate exposure on advances under its acquisition line from a floating rate to a fixed rate until the expiration of the Swap Agreement. The Swap Agreement effectively fixes the Company's interest rate on the notional amount of $35,000,000 to 6.2% per annum. Net monthly payments or monthly receipts under the Swap Agreement are recorded as adjustments to interest expense. In the event of nonperformance by the counterparty, the Company would be exposed to interest rate risk if the variable interest rate received were to exceed the fixed rate paid by the Company under the terms of the Swap Agreement.

The acquisition line and term loans contain certain covenants that, among other things, restrict dividends or stock repurchases, limit capital expenditures and annual operating lease payments, and set minimum fixed charge, interest coverage and leverage ratios and minimum consolidated adjusted net worth requirements. As of April 30, 1997 and January 31, 1998 the Company was in compliance with all covenants.

As of January 31, 1998, debt matures as follows:

	(Unaudited) Amount
Year Ending January 31,	
1999	2,539
2000	2,391
2001	2,391
2002	1,922
2003	57,323
Thereafter	954
	$67,520

5. INCOME TAXES

The provision (benefit) for income taxes as of April 30, 1995, 1996 and 1997 consists of the following:

	April 30,		
	1995	1996	1997
Federal--			
Current	$ 9,000	$ (329,072)	$305,937
Deferred	149,017	457,560	135,761
	158,017	128,488	441,698

State--			
Current	25,000	(96,086)	7,102
Deferred	37,000	111,025	3,152
	62,000	14,939	10,254
Total	$220,017	$ 143,427	$451,952

5. INCOME TAXES (Continued)

The differences in the provisions for income taxes and the amounts determined by applying the Federal statutory rate of 34% to income before provision for income taxes and extraordinary loss for the years ended April 30, 1995, 1996 and 1997 are as follows (in thousands):

	Fiscal Year Ended April 30,		
	1995	1996	1997
Tax at statutory rate	$191	$(17)	$ 11
State income taxes, net of federal benefit	31	(3)	2
Meals and entertainment disallowance	5	11	18
Nondeductible goodwill	13	20	134
Pooled entity with subchapter S status	(16)	98	161
Other, net (mainly imputed interest income for tax purposes)	(4)	35	126
	$220	$144	$452

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes.

Deferred tax assets and liabilities consist of the following at April 30, 1996 and 1997:

	April 30,	
	1996	1997
Deferred tax assets--		
Allowance for doubtful accounts	$ 129,800	$ 176,961
Treatment of lease obligations	65,403	64,558
Accrued expenses	158,603	343,952
Net operating loss carryforwards	569,338	574,279
Alternative minimum tax credit carryforwards	--	305,937
Other tax carryforwards	117,560	184,969
Amortization of intangibles	24,009	34,634
Other	123,048	91,518
Deferred tax liabilities--		
Accelerated depreciation of property and equipment	(1,704,894)	(2,244,797)
Other	(423,184)	(587,962)

Net deferred tax liability	$ (940,317)	$ (1,055,951)

At April 30, 1997, the Company has net operating loss carryforwards and other tax carryforwards for income tax purposes of approximately $1,436,000 and $462,000, respectively, that expire principally through 2009. At April 30, 1997, the Company also has $305,937 of alternative minimum tax credit carryforwards available indefinitely to reduce federal income taxes.

6. COMMITMENTS AND CONTINGENCIES

(a) Leases

The following is a schedule of future minimum lease payments, together with the present value of the net minimum lease payments under capital leases, as of April 30, 1997.

	Operating Leases	Capital Leases
Year Ended April 30,		
1998	$ 510,501	$ 532,124
1999	424,176	506,067
2000	287,651	363,600
2001	137,240	329,100
2002	68,151	213,600
Thereafter	68,151	213,600
Total minimum lease payments	$1,495,870	2,158,091
Less--amount representing interest		393,205
		1,764,886
Current maturities of capital lease obligations		391,709
Present value of long-term capital lease obligations		$1,373,177

The Company leases real estate, containers and hauling vehicles under leases that qualify for treatment as capital leases. The assets related to these leases have been capitalized and are included in property and equipment at April 30, 1996 and 1997.

The Company leases operating facilities and equipment under operating leases with monthly payments ranging from $119 to $3,903.

Total rent expense under operating leases charged to operations was $202,931, $502,122 and $933,294 for each of the three years ended April 30, 1995, 1996 and 1997, respectively.

(b) Legal Proceedings

In 1997, the Company was a defendant in a lawsuit regarding certain assets of the Company. The suit was settled for $450,000, and the Company paid an aggregate of $200,000 representing the legal fees of all defendants. The settlement was accrued for and included in other accrued expenses in the accompanying consolidated balance sheet at April 30, 1997.

On or about October 30, 1997, Matthew M. Freeman commenced a civil lawsuit against the Company and two of the Company's officers and directors in the Rutland Superior Court, Rutland County, State of Vermont. In the Complaint, Mr.

Freeman seeks compensation for services allegedly performed by him prior to 1995. Mr. Freeman is seeking a three percent equity interest in the Company or the monetary equivalent thereof, as well as punitive damages. The Company and the officers and directors have answered the Complaint, denied Mr. Freeman's allegations of wrongdoing, and asserted various defenses. In order to facilitate the completion of the recent initial public offering of the Company's class A common stock, certain stockholders of the Company agreed to indemnify the Company for any settlement by the Company or any award against the Company in excess of $350,000 (but not legal fees paid by or on behalf of the Company or any other third party). The Company accrued a $215,000 reserve for this claim during the quarter ended July 31, 1997.

6. COMMITMENTS AND CONTINGENCIES (Continued)

(c) Environmental Liability

The Company is subject to liability for any environmental damage, including personal injury and property damage, that its solid waste facilities may cause to neighboring property owners, particularly as a result of the contamination of drinking water sources or soil, possibly including damage resulting from conditions existing before the Company acquired the facilities. The Company may also be subject to liability for similar claims arising from off-site environmental contamination caused by pollutants or hazardous substances if the Company or its predecessors arrange to transport, treat or dispose of those materials. Any substantial liability incurred by the Company arising from environmental damage could have a material adverse effect on the Company's business, financial condition and results of operations. The Company is not presently aware of any situations that may have a material adverse impact.

(d) Other

In connection with an acquisition, the Company entered into an agreement to pay 10% of gross revenues, as defined in the agreement, from the operation of a landfill to the former owners until January 1999, subject to a cumulative minimum of $1,592,000 and a cumulative maximum of $6,028,000. The Company has recorded the present value of the guaranteed minimum as a cost of the acquisition in the accompanying consolidated balance sheets. On January 25, 1999, any cumulative amounts not paid up to the maximum of $6,028,000 are due and payable, subject to the successful permitting of an additional 1,000,000 tons of landfill capacity. The amount due is reduced pro rata for any capacity below 1,000,000 tons. This additional obligation will be recognized as a cost of the additional capacity, when and if the Company receives a permit for the additional capacity.

7. REDEEMABLE PREFERRED STOCK, REDEEMABLE PUT WARRANTS AND STOCKHOLDERS' EQUITY (DEFICIT)

On November 3, 1997, the Company completed an initial public offering of 3,000,000 shares of its class A common stock. Under the terms of the Company's agreements with the holders of the series A and B redeemable preferred stock with warrants exercisable for class A common stock, the preferred stock was automatically redeemed and the redemption price was applied to the exercise of the warrants upon the closing of the Company's initial public offering on November 3, 1997. Under the terms of the Company's agreements with the holders of the series D convertible preferred stock, the preferred stock was converted automatically into shares of class A common stock upon the closing of the Company's initial public offering.

In accordance with the terms of the Company's agreements with the holders of the series C mandatorily redeemable preferred stock, the preferred stock was redeemed at its stated redemption price of $7.00 per share upon the closing of the Company's initial public offering.

7. REDEEMABLE PREFERRED STOCK, REDEEMABLE PUT WARRANTS AND STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

(a) Preferred Stock

On December 22, 1995, the Company sold 1,922,169 shares of Series D Convertible Redeemable Preferred Stock, raising proceeds of $12,482,412, net of $972,771 in issuance costs. In addition, the Company extinguished certain subordinated debt through proceeds raised in this Series D Preferred Stock transaction, and by issuing certain subordinated debt holders 516,620 shares of the Company's Series A Redeemable Preferred Stock, 1,294,579 shares of the Company's Series B Redeemable Preferred Stock and 424,307 shares of the Company's Series C Mandatorily Redeemable Preferred Stock. The Company has recorded a charge of $2,963,317 based on the difference between the fair market value of consideration (preferred stock and cash) issued to the subordinated debt holders and the carrying value of the subordinated debt extinguished. The charge, net of tax, was allocated to earnings as an extraordinary charge ($126,523) and equity ($2,836,794) based on the relative fair value of the debt and warrants, respectively. The Company also wrote off the unamortized issuance costs associated with certain subordinated debt. This write-off resulted in an extraordinary charge, net of tax, of $199,785. The total extraordinary loss from the extinguishment of debt amounted to $326,308 (net of $168,098 income tax benefit).

Series A and B Redeemable Preferred Stock with Warrants Exercisable for Class A Common Stock

The holders of the Series A and Series B Redeemable Preferred Stock with warrants exercisable for Class A Common Stock shall have the right to require the Company to purchase their shares together with the warrants after December 31, 2000 if a liquidity event, as defined, has not occurred prior to that date. The redemption price payable by the Company shall be the higher of $1.50 per share of Series A Redeemable Preferred Stock and $2.00 per share of Series B Redeemable Preferred Stock, or the underlying fair market value of the Company's Class A Common Stock ($16.00 at July 31, 1997). The difference between the carrying value and the redemption value of the Series A and Series B Redeemable Preferred Stock with warrants exercisable for Class A Common Stock was accreted using the effective interest method through October 31, 1997.

Series C Mandatorily Redeemable Preferred Stock

If a liquidity event, as defined, has not occurred on or prior to December 31, 2000, the Series C Mandatorily Redeemable Preferred Stock becomes mandatorily redeemable by the Company. The redemption price shall be $7.00 per share. The difference between the carrying value and the redemption value of the Series C Mandatorily Redeemable Preferred Stock was accreted prior to the mandatory conversion on November 3, 1997.

Series D Convertible Redeemable Preferred Stock

On or after January 1, 2001, each of the holders of Series D Convertible Redeemable Preferred Stock shall have the option to tender all or any portion of such shares held to the Company. The redemption price for each share shall be the greater of $7.00 or the underlying fair market value of the Company's Class A Common Stock ($16.00 at April 30, 1997). The difference between the carrying value and the redemption value of the Series D Convertible Redeemable Preferred Stock was accreted using the effective interest method through October 31, 1997.

7. REDEEMABLE PREFERRED STOCK, REDEEMABLE PUT WARRANTS AND STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

Liquidation Preference

Preferred stockholders had a preference in liquidation over other stockholders equal to $1.50 per share of Series A Preferred Stock, $2.00 per share of Series B Preferred Stock, $7.00 per share of Series C and D Preferred Stock, plus any accrued and unpaid dividends, declared and unpaid. The aggregate preference in liquidation was $0 at January 31, 1998.

Conversion

Each share of Series A Preferred Stock and Series B Preferred Stock through the exercise of warrants and redemption of preferred stock in tandem and Series D Preferred Stock and Class B Common Stock was convertible into one share of the Company's Class A Common Stock. Conversion is at the option of the holder, but was automatic for Series A, Series B and Series D Preferred Stock immediately prior to the closing of a qualified public offering, as defined.

Voting

The holders of the Class A Common Stock, Series A Preferred Stock, Series B Preferred Stock and Series D Preferred Stock are entitled to one vote for each share held. The holders of the Class B Common Stock are entitled to 10 votes for each share of Class B Common Stock held. The Series C Preferred Stock is nonvoting.

(b) Stock Warrants

At January 31, 1998, the Company had outstanding warrants to purchase 190,392 shares of the Company's Class A Common Stock at exercise prices between $0.01 and $7.25 per share, the then fair market value of the underlying common stock. The warrants become exercisable upon vesting and notification and expire between July 1998 and October 2003.

(c) Put Warrants

In connection with an acquisition in April 1995, the Company issued 100,000 warrants to purchase one share each of Class A Common Stock exercisable at $6.00 per share. These warrants were putable to the Company at $4.00 per share or callable by the Company at $7.00 per share beginning in April 1997. These warrants were stated at their put price per share in the accompanying consolidated balance sheets. During the nine months ended January 31, 1998 (but prior to the public offering), one warrant holder exercised warrants to acquire 25,000 shares of class A common stock for proceeds of $150,000. During the same period the Company called the remaining 75,000 warrants in exchange for total consideration of $525,000. The difference between the put price and the call price was accreted at the time of the call.

d) Stock Option Plans

During 1993, the Company adopted an incentive stock option plan for officers and other key employees. The 1993 Incentive Stock Option Plan (the 1993 Option Plan) provides for the issuance of a maximum of 300,000 shares of Class A Common Stock. A committee of not fewer than three directors of the Company (the Option Committee), none of whom is an officer or other salaried employee of the Company who shall participate in the Option Plans, has the authority to select the optionees and determine the terms of the options granted. As of April 30, 1997, options to purchase 300,000 shares of Class A Common Stock at an average exercise price of $1.72 were outstanding under the 1993 Option Plan. As of January 31, 1998, options to purchase 260,000 shares of Class A Common Stock at an average

7. REDEEMABLE PREFERRED STOCK, REDEEMABLE PUT WARRANTS AND STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

exercise price of $1.90 were outstanding under the 1993 Option Plan. 40,000 options have been exercised under the 1993 Option Plan as of January 31, 1998.

During 1994, the Company adopted a nonstatutory stock option for officers and other key employees. The 1994 Stock Option Plan (the 1994 Option Plan) provides for the issuance of a maximum of 150,000 shares of Class A Common Stock. The Board of Directors and/or the Option Committee has the authority to select the optionees and determine the terms of the options granted. Options to purchase 150,000 shares of Class A Common Stock at an average exercise price of $0.60 were outstanding under the 1994 Option Plan as of April 30, 1997 and as of January 31, 1998. No options have been exercised under the 1994 Option Plan as of January 31, 1998.

In connection with the May 1994 Senior Note and Warrant Purchase Agreement (the "Purchase Agreement"), the Company established a nonqualified stock option pool for certain key employees. The purchase agreement established 338,000 stock options to purchase Class A Common Stock at $2.00 per share, the then fair market value. The options vest on December 31, 2000, and are subject to accelerated vesting upon an initial public offering or a liquidation event, as defined, on or before July 1, 1998. Options to purchase [338,000] shares of Class A Common Stock at an average exercise price of $2.00 per share were outstanding under the Purchase Agreement as of April 30, 1997 and January 31, 1998. No options have been exercised under this agreement as of January 31, 1998.

During 1996, the Company adopted a stock option plan for employees, officers and directors of, and consultants and advisors to, the Company. The 1996 Stock Option Plan (the "1996 Option Plan") provides for the issuance of a maximum of 418,135 shares of Class A Common Stock pursuant to the grant of either incentive stock options or nonstatutory options. As of April 30, 1997, options to purchase 418,135 shares of Class A Common Stock at an average exercise price of $10.04 per share were outstanding under the 1996 Option Plan. On May 6, 1997, the Company amended the 1996 Option Plan to provide for the issuance of an additional 500,000 shares of Class A Common Stock. On May 6, 1997, options to purchase 191,500 shares of Class A Common Stock at an average exercise price of $16.00 were granted under the 1996 Option Plan. As of January 31, 1998, no options have been exercised under the 1996 Option Plan. As of January 31, 1998, a total of 609,635 options to purchase Class A Common Stock were outstanding at an average exercise price of $16.91.

On July 31, 1997, the Company adopted a stock option plan for employees, officers and directors of, and consultants and advisors to the Company. The Board of Directors has the authority to select the optionees and determine the terms of the options granted. The 1997 Stock Option Plan (the "1997 Option Plan") provides for the issuance of 1,000,000 shares of Class A Common Stock pursuant to the grant of either incentive stock options or nonstatutory options. In addition, under the terms of the 1997 Option Plan, all authorized but unissued options under previous plans are added to the shares available under this plan. A total of 308,500 authorized but unissued shares under the 1996 Option Plan were transferred to the 1997 Option Plan under this provision. As of January 31, 1998, options to purchase 113,000 shares of Class A Common Stock at an average exercise price of $19.63 were outstanding under the 1997 Option Plan. However, as of January 31, 1998, no options have been exercised under the 1997 Option Plan.

7. REDEEMABLE PREFERRED STOCK, REDEEMABLE PUT WARRANTS AND STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

Stock option activity for each of the three years ended April 30, 1995,

1996, 1997 and nine months ended January 31, 1998 is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding, April 30, 1994	145,000	$ 0.60
Granted	528,000	1.50
Terminated	--	--
Exercised	--	--
Outstanding, April 30, 1995	673,000	1.30
Granted	115,000	3.53
Terminated	--	--
Exercised	--	--
Outstanding, April 30, 1996	788,000	1.63
Granted	418,135	10.04
Terminated	--	--
Exercised	--	--
Outstanding, April 30, 1997	1,206,135	4.54
Exercisable, April 30, 1997	537,092	2.81
Granted	304,500	17.35
Terminated	--	--
Exercised	40,000	0.60
Outstanding, January 31, 1998 (unaudited)	1,470,635	$ 7.30
Exercisable, January 31, 1998 (unaudited)	999,546	$ 4.06

Set forth is a summary of options outstanding and exercisable as of April 30, 1997 :

	Options Outstanding			Options Exercisable	
Range of Exercise	Number of Outstanding Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Exercisable Options	Weighted Average Exercise Price
$ 0.60-$ 2.00	713,000	5.44	$ 1.31	375,000	$ 0.70
4.81 - 7.00	199,000	8.35	4.78	102,714	4.83
12.00- 12.50	294,135	9.54	12.29	58,378	12.48
$ 0.80-$12.50	1,206,135	6.95	$ 4.56	537,092	$ 2.81

7. REDEEMABLE PREFERRED STOCK, REDEEMABLE PUT WARRANTS AND STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

Set forth is a summary of options outstanding and exercisable as of January 31, 1998:

	(Unaudited) Options Outstanding			(Unaudited) Options Exercisable	
Range of Exercise	Number of Outstanding Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Exercisable Options	Weighted Average Exercise Price

Range of Exercise	Number of Outstanding Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Exercisable Options	Weighted Average Exercise Price
$ 0.60-$ 2.00.....	673,000	4.59	$ 1.36	673,000	$ 1.36
4.61 - 7.00	199,000	7.59	4.66	151,667	4.67
12.00- 16.00	505,635	8.83	13.80	169,879	13.79
Over $16.00.....	93,000	9.72	20.63	5,000	18.00
$ 0.60-$16.00.....	1,470,635	6.78	$ 7.30	999,546	$ 4.06

During fiscal 1996, the FASB issued SFAS No. 123, Accounting for Stock-Based Compensation, which defines a fair value based method of accounting for stock-based employee compensation and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an entity to continue to measure compensation costs for those plans using the intrinsic method of accounting prescribed by APB Opinion No. 25. Entities electing to remain with the accounting in APB Opinion No. 25 must make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting defined in SFAS No. 123 had been applied.

The Company has elected to account for its stock-based compensation plans under APB Opinion No. 25. However, the Company has computed, for pro forma disclosure purposes, the value of all options granted during the years ended April 30, 1996 and 1997 using the Black-Scholes option pricing model as prescribed by SFAS No. 123, using the following weighted average assumptions for grants in the years ended April 30, 1996 and 1997.

	April 30, 1996	April 30, 1997
Risk-free interest rate	5.69%	6.45%
Expected dividend yield	N/A	N/A
Expected life	10 years	10 years
Expected volatility	N/A	N/A

The total value of options granted during the years ended April 30, 1996 and 1997 would be amortized on a pro forma basis over the vesting period of the options. Options generally vest equally over three years. Because the method of accounting prescribed by SFAS No. 123 has not been applied to options granted prior to May 1, 1995, the resulting pro forma compensation costs may not be representative of that to be expected in future years. If the Company had accounted for these plans in accordance with SFAS No. 123, the Company's net loss and net loss per share would have increased as reflected in the following pro forma amounts:

7. REDEEMABLE PREFERRED STOCK, REDEEMABLE PUT WARRANTS AND STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

	April 30, 1996	April 30, 1997

Net income (loss)		
As reported	$ (519,541)	$ (419,123)
Pro forma	(555,064)	(717,260)
Net income (loss) per share of common stock--		
As reported	(1.06)	(2.29)
Pro forma	(1.07)	(2.36)

The weighted-average grant-date fair value of options granted during the years ended April 30, 1996 and 1997 is $0.51, and $1.04 respectively.

(e) Reserved Shares

At April 30, 1996 and 1997 shares of Class A Common Stock were reserved for the following reasons:

	April 30,	
	1996	1997
Exercise of stock warrants related to Series A and Series B Preferred Stock	1,811,199	1,811,199
Exercise of Series D Convertible Preferred Stock	1,922,169	1,922,169
Exercise of stock warrants/put warrants	456,108	456,108
Exercise of management stock options	788,000	1,206,135
	4,977,476	5,395,611

8. EMPLOYEE BENEFIT PLANS

The Company has a profit sharing plan that covers substantially all employees with one-half or more years of service. Contributions to the plan are made at the discretion of the Board of Directors. The Company made no contributions for the years ended April 30, 1996 and 1997. The profit sharing plan was terminated on June 30, 1997.

On May 1, 1996, the Company adopted the Casella Waste Systems, Inc. 401(k) Plan and appointed the First National Bank of Boston as trustee to the plan. The plan went into effect on July 1, 1996 and has a December 31 year end. Pending board approval, the Company may contribute up to $500 per individual per calendar year. Participants vest in employer contributions ratably over a three-year period. Employer contributions for the year ended April 30, 1997 amounted to $149,469.

In January, 1998 the Company implemented its Employee Stock Purchase Plan. Under this plan, qualified employees may purchase shares of class A common stock by payroll deduction at a 15% discount from the market price. 300,000 shares of class A common stock have been reserved for this purpose. At January 31, 1998, no shares of class A common stock have been issued under this plan.

9. EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share". This statement supersedes Accounting Principal Board Opinion No. 15, and is effective for interim and annual periods ending after December 15, 1997.

Primary EPS is replaced by Basic EPS, which is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Basic

9. EARNINGS PER SHARE (Continued)

common shares no longer include common stock equivalents such as convertible preferred shares. In addition, Fully Diluted EPS is replaced with Diluted EPS, which gives effect to all common shares that would have been outstanding if all potentially dilutive common shares (relating to such things as the exercise of stock warrants and convertible preferred stock) had been issued. The treasury stock method used to compute the number of potentially-dilutive shares that would be repurchased with the proceeds of potential stock issuances has been changed. The treasury stock method now requires use of the average share price for the period instead of the greater of the ending share price or the average share price.

The following is a reconciliation of the ending number of shares outstanding with the number of shares used in the calculation of basic and diluted earnings per share (in thousands):

	Year ended April 30,			(Unaudited) Nine months ended	
	1995	1996	1997	January 31, 1998	January 31, 1997
Number of shares outstanding, end of period:					
Class A common stock	2,255	2,398	3,457	10,503	3,458
Class B common stock	1,000	1,000	1,000	988	1,000
Effect of weighting the average shares outstanding during the period	(355)	(119)	(544)	(4,736)	(721)
Basic shares outstanding	2,900	3,279	3,913	6,755	3,737
Potentially dilutive shares	--	--	--	--	--
Fully diluted shares outstanding	2,900	3,279	3,913	6,755	3,737

The pro forma number of basic and diluted shares outstanding for the year ended April 30, 1997 and for the nine months ending January 31, 1998 gives weighting effect to the pro forma issuance of the publicly offered shares of class A common stock and conversion of Series A, B, and D preferred stock, as if these events had occurred on May 1, 1996.

Diluted earnings per share equals basic earnings per share for the years ended December 31, 1995, 1996 and 1997 and for the nine months ended January 31, 1997 and 1998 because the inclusion of potentially dilutive shares would be anti-dilutive due to the Company's net losses applicable to common stockholders for those periods. The number of potentially dilutive shares excluded from the earnings per share calculation were 203,077, 1,604,130 and 4,434,163 for the years ended April 30, 1995, 1996 and 1997 and 4,315,086 and 3,562,601 for the nine months ended January 31, 1997 and 1998. The anti-dilutive effect was due to net losses, or the reversal of accretion of convertible preferred stock shares included in the diluted number of shares outstanding, or both, during the periods indicated.

10. RELATED PARTY TRANSACTIONS

(a) Management Services Agreement

As part of the Series D Preferred Stock transaction described in Note 7(a), the Company entered into a Management Services Agreement with certain holders of the Series A, Series B and Series C Preferred Stock. In consideration for certain advisory services to the Company, as defined, a management fee of approximately $22,300 per month was due upon the occurrence of a liquidity event, as defined. At the time of the initial public offering of the Company's class A common stock, the total accrued management fees were paid to the shareholders. The amount paid was $495,221.

10. RELATED PARTY TRANSACTIONS (Continued)

(b) Services

During 1996 and 1997, the Company retained the services of a related party, a company wholly owned by two of the Company's stockholders, as a contractor in closing the landfills owned by the Company. Total purchased services charged to operations for each of the three years ended April 30, 1995, 1996 and 1997 and the nine months ended January 31, 1998 were $339,138, $1,291,435, $2,125,606 and $3,804,291 respectively, of which $0, $55,000, $24,988 and $252,332 were outstanding and included in accounts payable at April 30, 1995, 1996 and 1997 and January 31, 1998, respectively. In 1997, the Company entered into agreements with this company, totaling $4,065,000, to close the unlined municipal landfill which is adjacent to the Subtitle D Clinton County landfill (see Note 6) and to close a portion of another of the Company's lined landfills.

(c) Leases and Land Purchase

The Company leases furniture and fixtures from a partnership in which two of the Company's stockholders are the general partners. This operating lease requires a monthly payment of $950 and expires in 1999.

On August 1, 1993, the Company entered into three leases for operating facilities with the same partnership. The leases call for monthly payments ranging from $3,200 to $9,000 and expire in April 2003. During 1997, one of the leases was terminated early for $191,869. The remaining leases are classified as capital leases in the accompanying consolidated balance sheets. Total interest and amortization expense charged to operations for the years ended April 30, 1995, 1996 and 1997 and the nine months ended January 31, 1998 under these agreements was $263,400, $252,000, $249,379 and $173,409, respectively.

On November 8, 1996, the Company purchased a certain plot of land from the same related party for $122,000.

(d) Postclosure Landfill

The Company has agreed to pay the cost of postclosure on a landfill owned by certain principal stockholders. The Company paid the cost of closing this landfill in 1992, and the postclosure maintenance obligations are expected to last until 2012. In each of the three years ended April 30, 1995, 1996 and 1997 and the nine months ended January 31, 1998, the Company paid $11,758, $14,502, $9,605 and $960, respectively, pursuant to this agreement. As of January 31, 1998, the Company has accrued $106,830 for costs associated with its postclosure obligations.

11. SUBSEQUENT EVENTS

During the period between February 1, 1998 and April 30, 1998 the Company acquired 10 companies, all accounted for as purchases. The total value of assets acquired was $10,396,238. The Company paid $9,424,005 in cash for the companies and assumed $972,233 in liabilities.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
Sawyer Companies:

We have audited the accompanying combined balance sheet of Sawyer Companies as of December 31, 1995 and the related combined statement of income

and retained earnings and cash flows for the year ended December 31, 1995. These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Sawyer Companies at December 31, 1995, and the combined results of their operations and their cash flows for the year ended December 31, 1995, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
April 19, 1996

SAWYER COMPANIES

COMBINED BALANCE SHEET

	December 31, 1995
ASSETS	
Current assets:	
Cash and cash equivalents	$ 395,649
Accounts receivable, net of allowance for doubtful accounts of $216,254	941,903
Inventories	85,399
Other current assets	162,854
Note receivable	90,240
Deferred income taxes	178,900
Total current assets	1,854,945
Property, plant and equipment, at cost:	
Land	132,978
Land improvements	151,538
Buildings	830,019
Machinery and equipment	7,190,939
Office furniture and equipment	410,607
Other	45,961
	8,762,042
Less--accumulated depreciation	5,031,642
Net property, plant and equipment	3,730,400
Landfill, at cost:	
Landfill and landfill development	6,770,768
Less--accumulated amortization	4,621,857
	2,148,911
Other assets:	

Investment in land	170,000
Landfill closure trust, excluding current portion	1,240,332
Other miscellaneous assets	187,290
Total other assets	1,597,622
Total assets	$9,331,878
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Equipment revolving line of credit	$1,337,186
Other notes payable	65,726
Note payable to stockholder	973,092
Current portion of long-term debt	251,443
Accounts payable	594,481
Accrued expenses	215,601
Total current liabilities	3,437,529
Long-term debt, excluding current portion	1,815,037
Deferred income taxes	440,700
Accrued closure and postclosure costs	1,802,005
Commitments and contingencies	
Stockholders' equity:	
Common stock	38,800
Additional paid-in capital	300,000
Retained earnings	1,497,807
Total stockholders' equity	1,836,607
Total liabilities and stockholders' equity	$9,331,878

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

SAWYER COMPANIES

COMBINED STATEMENT OF INCOME AND RETAINED EARNINGS

	Fiscal Year Ended December 31, 1995
Revenue	$11,527,162
Costs and expenses:	
Cost of operations	7,640,502
General and administrative expenses	2,909,696
Depreciation and amortization	1,146,967
Total costs and expenses	11,697,165
Operating loss	(170,003)
Other income (expense):	
Interest income	63,895
Interest expense	(476,937)
Loss on sale of assets	(29,880)
Other	5,722
Total other expense	(437,200)
Loss before income taxes	(607,203)
Provision for income taxes	261,800
Net loss	(869,003)
Retained earnings, beginning of year	2,550,332
Stockholder distributions	(183,522)

Retained earnings, end of year	$ 1,497,807

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

SAWYER COMPANIES

COMBINED STATEMENT OF CASH FLOWS

	Fiscal Year Ended December 31, 1995
Cash flows from operating activities:	
Net loss	$ (869,003)
Adjustments to reconcile net loss to net cash provided by operating activities--	
Depreciation and amortization	1,146,967
Loss on sale of assets	29,880
Deferred income taxes	261,800
Decrease (increase) in--	
Accounts receivable	248,737
Inventories	17,544
Other current assets	51,654
Increase (decrease) in--	
Accounts payable	(667,748)
Accrued expenses	16,335
Deferred closure costs	433,634
Net cash provided by operating activities	669,800
Cash flows from investing activities:	
Additions to property and equipment	(609,181)
Proceeds from sale of assets	46,108
Net contributions to landfill closure trust	(223,089)
Advances to stockholders	--
Other, net	(312,140)
Net cash used by investing activities	(1,098,302)
Cash flows from financing activities:	
Net proceeds from short-term borrowings	2,627
Principal payments on long-term borrowings	(250,454)
Stockholder distributions	(183,522)
Net cash used by financing activities	(431,349)
Decrease in cash and cash equivalents	(859,851)
Cash and cash equivalents, beginning of year	1,255,500
Cash and cash equivalents, end of year	$ 395,649
Supplemental disclosure of cash flow information:	
Cash paid during the year for--	
Interest	$ 477,000
Income tax	$ --

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

SAWYER COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

SES collects, transports, and recycles waste from industrial, commercial, and residential customers in northern New England (primarily Maine).

Sawyer Environmental Recovery Facilities, Inc. (SERF) operates and maintains commercial landfill facilities in Hampden, Maine. The secure landfill facilities are currently licensed by the Maine Department of Environmental Protection (MDEP) for the disposal of special wastes. Services provided include disposal of incinerator and boiler ash, other non-hazardous special wastes, and non-burnable waste from municipal waste-to-energy plants. In addition, SERF provides the recycling markets and facilities for scrap tires, paper, and construction/demolition debris.

TSI leased specialized waste industry machinery, equipment and vehicles to its affiliated companies.

Principles of Combination

The combined financial statements include the following companies (herein after referred to as the Companies), all of which are incorporated under the laws of the State of Maine and owned solely by W. Tom Sawyer, Jr.:

Sawyer Environmental Services
Sawyer Environmental Recovery Facilities, Inc.

All significant intercompany accounts and transactions have been eliminated in the combined financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

Receivables

Current receivables of $941,903 at December 31, 1995 are net of reserves of $216,254. The estimated fair value of current receivables approximates their recorded value.

Notes receivable of $90,240 at December 31, 1995, approximate fair value.

Fair Value of Financial Instruments

The Companies' financial instruments consist of cash, accounts receivable, notes receivable, accounts payable, notes payable and long-term debt. The carrying amount of the Companies' cash, accounts receivable, notes receivable, accounts payable and notes payable approximates their fair value due to the short-term nature of these instruments. The carrying value of long-term debt also approximates the fair value.

Inventory

Inventory is stated at the lower of cost or market and consists primarily of equipment parts, materials and supplies.

Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost, less accumulated depreciation. Depreciation is provided for using the straight-line method over the estimated useful lives of buildings (25 to 40 years), machinery and equipment (5 to 15 years) and vehicles and equipment (5 to 15 years).

SAWYER COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures for major renewals and betterments are capitalized, and expenditures for maintenance and repairs are charged to expense as incurred.

Landfills

Landfills include expenditures for land and related airspace, permitting costs and preparation costs. Landfill permitting and development costs include legal, engineering, construction and cell development costs.

Landfill costs are amortized on a per-cubic-yard basis as permitted airspace of the landfill is filled.

Accrued Closure and Postclosure Costs

Accrued closure and postclosure costs include estimated costs associated with obligations for closure and postclosure of the Companies' landfills, based on interpretations of the U.S. Environmental Protection Agency (EPA) Subtitle D regulations and on applicable MDEP regulations. Estimated closure and postclosure costs are accrued on a per-cubic-yard basis as permitted air space of the landfill is filled.

SERF is required by the MDEP to fund a certain portion of these accrued closure and postclosure costs as landfill airspace is utilized. Accordingly, SERF has entered into trust agreements with a bank and makes monthly contributions to restricted investment accounts to maintain minimum funding requirements. Such amounts are included in the landfill closure trust account on the accompanying combined financial statements.

Income Taxes

The Companies recorded income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. Under SFAS No. 109, deferred income taxes are recognized based on the expected future tax consequences of differences between the financial statement bases and the tax bases of assets and liabilities, calculated using enacted income tax rates in effect for the year in which the differences are expected to be reflected in the income tax return.

Prior to July 1995, the Companies had elected to be recognized as an S Corporation under the appropriate Federal and state tax codes. In lieu of corporate income taxes, the stockholders of an S Corporation are taxed on their proportionate share of the Companies' taxable income. Accordingly, no corporate income taxes were recorded in 1993 and 1994.

Revenue Recognition

Revenues are recorded in the combined financial statements when the services are performed. SES and SERF provide most services on a contract basis. Contract terms are between one and fifteen years and are billed on a monthly basis.

Credit Risk

Credit is extended to customers without collateral.

The Companies maintain their cash in bank deposit accounts, which at times may exceed federally insured limits. The Companies have not experienced any losses in such accounts. The Companies believe they are not exposed to any significant risk on cash and cash equivalents.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. INDEBTEDNESS

Long-term debt consists of the following:	
Notes payable to Fleet Bank of Maine, variable monthly payments including interest at prime plus 1.5%, (10% at December 31, 1995) through 1999	$2,053,153
Other notes payable	13,327
	2,066,480
Less--expected current portion	251,443
Long-term notes, excluding expected current portion	$1,815,037
Notes payable to stockholder and stockholder trust consist of the following:	
Prime plus 2% note payable	$ 873,092
14% note payable, interest paid monthly	100,000
	$ 973,092

The equipment revolving line of credit with Fleet Bank of Maine is payable in monthly installments of $35,000 ($50,000 if balance exceeds $1,200,000), including interest at prime plus 0.75% (9.25% at December 31, 1995). The line of credit is subject to renewal at July 1, 1996 and is recorded as a current liability.

The notes to Fleet Bank of Maine are collateralized by substantially all assets, waste disposal contracts and a negative stock pledge.

Aggregate future maturities of long-term debt outstanding as of December 31, 1995 for the next five years are expected to be as follows:

December 31,	
1996	$ 251,000
1997	291,000
1998	335,000
1999	1,189,000
Thereafter	--

3. COMMON STOCK

Capital stock of the Companies is as follows:

Company	Common Stock	Par Value	Shares Authorized	Shares Issued	Shares Outstanding
Sawyer Environmental Services	$38,000	$ --	10,000	331	331
Sawyer Environmental Recovery Facilities, Inc.	800	100	1,000	8	8
	$38,800				

SAWYER COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

4. PROFIT SHARING PLAN

The Companies maintain a qualified profit sharing plan covering substantially all of their employees. The plan is a defined contribution plan with contributions determined annually at the discretion of Sawyer Companies' management committee. Contributions of $200,000 were made in 1995.

5. SIGNIFICANT CUSTOMER

A significant portion of both disposal and transportation revenue is from one significant customer, a municipality. The services are provided under long-term contracts. Revenue from this customer was approximately 35% of net sales in 1995.

6. INCOME TAXES

The provision for income taxes as of December 31, 1995 consists of the following:

Federal--	
Current	$ --
Deferred	211,900
	211,900
State--	
Current	--
Deferred	49,900
	49,900
	$261,800

At December 31, 1995, the Companies' total deferred tax asset of $327,700 related to nondeductible reserves and net operating loss carryforwards while the total deferred tax liability of $589,500 primarily related to differing depreciation methods for tax and book purposes for property, plant and equipment.

At December 31, 1995, the Companies had approximately $134,000 of net operating loss carryforwards available to reduce taxable income through 2010.

The provision for income taxes differs from the amounts calculated by applying the statutory federal income tax rate of 34% to income before taxes due primarily to state income taxes and the effect of recognizing the Companies' change in tax status in accordance with SFAS No. 109. The Companies' net deferred tax liabilities that had to be reinstated on the balance sheet

when the S corporation status was terminated were charged to the deferred tax provision in 1995.

7. COMMITMENTS AND CONTINGENCIES

The Companies lease certain office and maintenance space as well as various operating motor vehicles. Future minimum lease payments under noncancelable operating leases with terms in excess of one year are as follows:

7. COMMITMENTS AND CONTINGENCIES (Continued)

Fiscal Year Ended April 30,	
1995	$ --
1996	372,000
1997	353,000
1998	353,000
1999	257,000
2000	78,000
Thereafter	22,000
	$1,435,000

Rental expense under operating leases was $487,676 in 1995.

The Companies lease certain office space from the stockholder. Rental expense under this lease was $27,456 for 1995.

The Companies carry a broad range of insurance coverage for protection of their assets and operations from certain risks; however, consistent with other entities in the industry, the Companies have elected not to obtain environmental impairment liability insurance to cover possible environmental damage. Instead, the Companies have funded multiple, irrevocable trusts in concert with state and local officials, which would provide substantial funds to respond to either sudden and accidental, or non-sudden occurrences potentially impacting the environment.

Operation of the Companies' landfill requires certain regulatory permits that need to be renewed from time to time. Management is confident that such renewals will be obtained.

Effective November 27, 1993, the Companies joined the Construction Services Group Trust, which includes a group of unrelated companies formed to self-insure most of their workers' compensation costs. The group purchases stop-loss insurance coverage for claims in excess of $400,000. The premiums paid are based on prior years' rates and experiences.

8. SUBSEQUENT EVENT

On January 1, 1996, all of the issued and outstanding shares of capital stock of the companies were acquired by Casella Waste Systems, Inc. (CWS) for consideration of $2,202,000 in cash and warrants exercisable for 40,000 shares of Casella Class A Common Stock at $7.00 per share. Additionally the agreement also provides for additional consideration based on royalties from existing customer disposal agreements and landfill expansion payments contingent on additional permitted landfill capacity.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of
Vermont Waste and Recycling Management, Inc.:

We have audited the accompanying balance sheet of Vermont Waste and Recycling Management, Inc. (an S corporation incorporated in the State of Vermont) as of November 15, 1996, and the related statements of operations, stockholders' equity and cash flows for the ten and one-half months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Waste and Recycling Management, Inc. as of November 15, 1996, and the results of their operations and their cash flows for the ten and one-half months then ended, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
June 20, 1997

VERMONT WASTE AND RECYCLING MANAGEMENT, INC.

BALANCE SHEET

	November 15, 1996
ASSETS	
Current assets:	
Cash	$ 29,771
Accounts receivable--trade, less allowance for doubtful accounts of $19,033	383,597
Prepaid expenses and other current assets	57,500
Total current assets	470,868
Property, plant and equipment, at cost:	
Land	9,830
Buildings and improvements	131,434
Machinery and equipment	534,933
Vehicles	416,011
	1,092,208
Less--accumulated depreciation	(617,831)
	474,377
Other assets:	
Due from stockholders	307,007
Goodwill, net of accumulated amortization of $3,243	7,757
Customer lists, net of accumulated amortization of $133,936	287,367

Covenants not-to-compete, net of accumulated amortization of $318,943	51,056
	653,187
	$1,598,432

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Current portion of long-term debt	$ 704,161
Current portion of capital lease obligations	14,034
Accounts payable and accrued liabilities	253,942
Revolving line of credit	488,000
Total current liabilities	1,460,137
Capital lease obligations, less current maturities	17,038
Commitments and contingencies (Note 4)	
Stockholders' equity:	
Common stock--	
Authorized--5,000 shares, $1 par value	
Issued and outstanding--200 shares	200
Additional paid-in capital	180,010
Accumulated deficit	(58,953)
Total stockholders' equity	121,257
	$1,598,432

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

VERMONT WASTE AND RECYCLING MANAGEMENT, INC.

STATEMENT OF OPERATIONS

	Ten and One-Half Months Ended November 15, 1996
Revenues	$2,254,271
Cost of sales	1,818,244
Gross profit	436,027
General and administrative expense	431,824
Operating income	4,203
Other (income) expense:	
Interest expense	101,324
Interest income	(16,904)
Net loss	$ (80,217)

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

VERMONT WASTE AND RECYCLING MANAGEMENT, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

Retained

	Common Stock, $1 Par	Additional Paid-in Capital	Earnings (Accumulated Deficit)	Total Stockholders' Equity
Balance, December 31, 1995	$200	$180,010	$ 21,264	$ 201,474
Net loss	--	--	(80,217)	(80,217)
Balance, November 15, 1996	$200	$180,010	$ (58,953)	$ 121,257

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

VERMONT WASTE AND RECYCLING MANAGEMENT, INC.

STATEMENT OF CASH FLOWS

	Ten and One-Half Months Ended November 15, 1996
Cash flows from operating activities:	
Net loss	$ (80,217)
Adjustments to reconcile net loss to net cash provided by operating activities--	
Depreciation and amortization	178,037
Changes in current assets and liabilities--	
Accounts receivable	(28,485)
Notes receivable--stockholders	(45,135)
Other assets	(31,775)
Accounts payable	127,753
Accrued and other liabilities	(12,456)
Net cash provided by operating activities	107,722
Cash flows from investing activities:	
Additions to property and equipment	(57,963)
Net cash used in investing activities	(57,963)
Cash flows from financing activities:	
Borrowings under line of credit	48,000
Principal payments on long-term debt	(22,771)
Principal payments on capital lease obligations	(46,614)
Net cash used in financing activities	(21,385)
Net increase in cash	28,374
Cash, beginning of year	1,397
Cash, end of year	$ 29,771
Supplemental disclosure of cash flow information:	
Cash paid during the year for--	
Interest	$ 95,717
Income taxes	$ 150
Supplemental schedule of noncash operating and investing activities:	
Vehicles acquired in exchange for forgiveness of debt	$ 11,711

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

VERMONT WASTE AND RECYCLING MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS

Vermont Waste and Recycling Management, Inc. (the Company), an S Corporation incorporated in the State of Vermont, is a waste hauling business located in Williston, Vermont. On November 20, 1996, Casella Waste Systems, Inc. and subsidiaries (CWS) acquired all of the assets and assumed all of the liabilities of the Company. The purchase price of approximately $3,082,803 consisted of $1,450,248 in Casella stock (120,854 shares of Class A common stock at a price of $12 per share) issued to the seller and $1,632,555 in liabilities and closing costs paid/assumed at closing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(b) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. The Company provides for depreciation using the straight-line method by charges to operations in amounts that allocate the cost of the assets over their estimated useful lives as follows:

Asset Classification	Estimated Useful Life
Vehicles	5 years
Machinery and equipment	3-12 years
Buildings and improvements	40 years

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

(c) Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables and debt instruments. The book values of cash and cash equivalents, trade receivables and trade payables approximate their respective fair values. The Company's debt instruments outstanding as of November 15, 1996 have carrying values that approximate their respective fair values. See Note 3 for the terms and carrying values of the Company's various debt instruments.

(d) Intangible Assets

The Company amortizes intangible assets on a straight-line basis over their estimated useful lives, which generally do not exceed the following:

Goodwill	15 years
Covenants not to compete	5-15 years
Customer lists	10-15 years

(e) Revenue Recognition

The Company recognizes collection and recycling services revenues as the services are provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income Taxes

The stockholders of the Company have elected to be treated as an S Corporation for Federal income tax purposes, and as such, the stockholders of the Company are responsible for reporting their proportionate share of the Company's Federal taxable income to the Internal Revenue Service. Therefore, the Company does not provide for Federal or state income taxes.

3. LONG-TERM DEBT

Long-term debt as of November 15, 1996 consists of the following:

Howard Bank--	
Note payable in monthly installments of $6,496 including interest at 10.875%, due 2009. Secured by accounts receivable, real estate and other property. The U.S. Small Business Administration has guaranteed 75% of the note. The note is also personally guaranteed by the stockholders	$528,069
Note payable in monthly installments of $2,045 including interest at Wall Street Journal prime plus 1.5%, adjusted quarterly, due 2009. This interest rate was 9.75% as of November 15, 1996. Secured by accounts receivable, real estate and other property. The U.S. Small Business Administration has guaranteed 75% of the note. The note is also personally guaranteed by the stockholders	176,092
	704,161
Principal payments due within one year	(28,216)
	$675,945

As of November 15, 1996, the Company has a $488,000 line-of-credit agreement with The Howard Bank, expiring on November 15, 1996. The terms provide for interest at 1% above the bank's prime rate (8.25% at November 15, 1996), adjusted daily. The line of credit is secured by accounts receivable, real estate and other property. The line of credit is also guaranteed by an affiliate company and personally guaranteed by the stockholders. As of November 15, 1996, the balance outstanding under this line was $488,000.

As of November 15 1996, debt matures as follows:

	Amount
Fiscal Year Ended November 15,	
1997	$ 28,216
1998	31,397
1999	34,933
2000	38,865
2001	43,255
Thereafter	527,495
	$704,161

In connection with the acquisition of the Company on November 20, 1996, all current and long-term debt was paid off. Therefore, all debt has been classified as current in the accompanying financial statements.

4. COMMITMENTS AND CONTINGENCIES

(a) Leases

The following is a schedule of future minimum lease payments, together with the present value of the net minimum lease payments under a capital lease, as of November 15, 1996:

	Operating Leases	Capital Lease
Fiscal Year Ended November 15,		
1997	$ 7,586	$16,277
1998	4,069	17,726
1999	2,034	--
Total minimum lease payments	$13,689	34,003
Less--Amount representing interest		2,931
		31,072
Current maturities of capital lease obligation		14,034
Present value of long-term capital lease obligation		$17,038

The Company leases containers under a lease that qualifies for treatment as a capital lease. The lease is personally guaranteed by a stockholder. The assets related to these leases (carrying value of $32,650 at November 15, 1996) have been capitalized and are included in property and equipment at November 15, 1996.

The Company leases operating facilities and equipment under operating leases with monthly payments ranging from $175 to $376.

Total rent expense under operating leases charged to operations was $13,900, which includes related party leases (see Note 5), during the ten and one-half months ended November 15, 1996.

5. RELATED PARTY TRANSACTIONS

The stockholders of the Company are also the majority stockholders of Chittenden Recycling Services, Inc. (CRS), a Vermont corporation. The following significant transactions occurred during the ten and one-half months ended November 15, 1996:

- The management fee income of $106,903 represents expenses incurred by the Company for management and other expenses allocable to CRS. The amount represents labor and related costs as well as some administrative expenses. The Company's remaining balance due from CRS at November 15, 1996 was $106,903. This amount is included in accounts receivable.

- During the ten and one-half months ended November 15, 1996, the division purchased $62,462 of recyclable material from CRS. At November 15, 1996, the Company owed $30,684 to CRS. This amount is included in accounts payable.

The Company's stockholders received advances from the Company. No notes have been issued for these advances and there are no fixed repayment terms. Interest income accrued on the stockholders' loans totaled $16,904 for 1996. The advances totaled $307,007 at November 15, 1996. This amount is included in notes receivable--stockholders' in the accompanying financial statements.

The Company leases an automobile from one of its stockholders. The lease expires in June 1999 and the monthly payment is $339. The lease is treated as an operating lease.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Superior Disposal Companies:

We have audited the accompanying combined balance sheets of the companies identified in Note 1 (the Companies) as of December 31, 1995 and 1996, and the related combined statements of operations, stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Companies as of December 31, 1995 and 1996, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
May 23, 1997

THE SUPERIOR DISPOSAL COMPANIES

COMBINED BALANCE SHEETS

	December 31, 1995	December 31, 1996
ASSETS		
Current assets:		
Cash	$ 766,280	$ 9,254
Accounts receivable--trade, less allowance for doubtful accounts of approximately $408,000 and $213,000 in 1995 and 1996, respectively	1,878,228	1,696,172
Prepaid expenses and other current assets	127,433	207,011
Deferred tax asset	13,095	--
Total current assets	2,785,036	1,912,437
Property and equipment, at cost:		
Land and improvements	275,871	275,871

Buildings and improvements	1,219,684	1,413,609
Furniture, fixtures and office equipment	109,164	212,838
Machinery and containers	2,776,144	3,038,770
Vehicles	2,911,890	3,511,088
Equipment under capital leases	391,486	391,486
	7,684,239	8,843,662
Less--accumulated depreciation and amortization	2,821,839	3,619,523
	4,862,400	5,224,139
Other assets:		
Intangible assets, net	4,350,531	4,412,523
Miscellaneous deposits	--	53,700
	4,350,531	4,466,223
	$11,997,967	$11,602,799
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Short-term loans	$ --	$ 1,200,000
Accounts payable	1,357,675	1,072,378
Accrued liabilities	169,520	321,950
Current maturities of long-term debt	1,359,861	1,748,264
Current maturities of capital lease obligations	61,916	68,352
Income taxes payable	30,341	30,341
Deferred revenue	411,268	368,809
Total current liabilities	3,390,581	4,810,094
Long-term debt, less current maturities	7,221,518	6,377,697
Capital lease obligations, less current maturities	261,422	193,070
Due to stockholder	--	52,000
Commitments and contingencies (Note 6)		
Stockholder's equity:		
Common stock--		
Authorized--300 shares, no par value		
Issued and outstanding--12 shares	2,500	2,500
Additional paid-in capital	116,635	116,635
Retained earnings	1,284,726	330,218
Less--treasury stock, at cost	(279,415)	(279,415)
Total stockholder's equity	1,124,446	169,938
	$11,997,967	$11,602,799

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

THE SUPERIOR DISPOSAL COMPANIES

COMBINED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	1995	1996
Revenues	$9,240,996	$15,130,702
Costs and expenses:		
Cost of services	5,945,827	10,361,812
General and administrative	1,124,517	2,429,623
Depreciation and amortization	855,548	1,192,065
	7,925,892	13,983,500

Operating income	1,315,104	1,147,202
Other expenses:		
Interest expense	437,633	818,950
Loss on sale of equipment	--	17,347
	437,633	836,297
Income before provision for income taxes	877,471	310,905
Provision for income taxes	29,346	32,724
Net income	$ 848,125	$ 278,181

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

THE SUPERIOR DISPOSAL COMPANIES

COMBINED STATEMENTS OF STOCKHOLDER'S EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Stockholder's Equity
Balance, December 31, 1994	$2,000	$116,635	$ 1,142,041	$ (279,415)	$ 981,261
Net income	--	--	848,125	--	848,125
Issuance of common stock	500	--	--	--	500
Distributions to stockholder	-	--	(705,440)	--	(705,440)
Balance, December 31, 1995	2,500	116,635	1,284,726	(279,415)	1,124,446
Net income	--	--	278,181	--	278,181
Distributions to stockholder	-	--	(1,232,689)	--	(1,232,689)
Balance, December 31, 1996	$2,500	$116,635	$ 330,218	$ (279,415)	$ 169,938

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

THE SUPERIOR DISPOSAL COMPANIES

COMBINED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	1995	1996
Cash flows from operating activities:		
Net income	$ 848,125	$ 278,181
Adjustments to reconcile net income to net cash provided by operating activities--		
Provision for bad debts, net of writeoffs	333,288	(195,280)
Depreciation and amortization	855,548	1,192,065
Loss on sale of equipment	--	17,347
Deferred income tax	(13,095)	13,095
Changes in assets and liabilities, net of effects of acquisitions--		
Accounts receivable	(1,570,719)	377,336
Other current assets	(92,201)	(79,578)
Accounts payable	978,772	(285,297)
Accrued and other liabilities	(95,524)	152,430
Income taxes payable	30,341	--
Deferred revenue	223,536	(42,459)

	649,946	1,149,659
Net cash provided by operating activities	1,498,071	1,427,840
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(3,007,296)	(460,000)
Additions to property and equipment	(636,912)	(1,110,656)
Proceeds from sale of property and equipment	--	52,074
Decrease (increase) in other assets	60,884	(33,261)
Net cash used in investing activities	(3,583,324)	(1,551,843)
Cash flows from financing activities:		
Due to stockholder	--	52,000
Proceeds from short-term borrowings	--	1,200,000
Proceeds from long-term borrowings	5,934,083	930,000
Principal payments on long-term debt	(2,542,323)	(1,520,418)
Principal payments on capital lease obligations	(51,001)	(61,916)
Proceeds from issuance of common stock	500	--
Distributions to stockholder	(705,440)	(1,232,689)
Net cash provided by (used in) financing activities	2,635,819	(633,023)
Net increase (decrease) in cash	550,566	(757,026)
Cash, beginning of year	215,714	766,280
Cash, end of year	$ 766,280	$ 9,254
Supplemental disclosure of cash flow information:		
Cash paid during the year for--		
Interest	$ 411,525	$ 827,059
Income taxes	$ 8,820	$ 32,724
Supplemental disclosure of noncash investing and financing activities--		
Acquisition of property and equipment under capital leases	$ 141,441	$ --
Summary of acquisitions--		
Fair value of assets acquired	$ 6,629,006	$ 595,000
Cash paid	(3,007,296)	(460,000)
Liabilities assumed and notes payable to sellers	$ 3,621,710	$ 135,000

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

THE SUPERIOR DISPOSAL COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

The Superior Disposal Companies (the Companies), represents the combined accounts of Superior Disposal Service, Inc. (Superior) (a New York corporation), Kerkim, Inc. (Kerkim) (a New York corporation) and Kensue, Inc. (Kensue) (a Pennsylvania corporation). These companies are owned by the same stockholder. Kensue's financial statements are the consolidation of Kensue and its two subsidiaries: Claws Refuse, Inc. (Claws) (a Pennsylvania corporation) and S.D.S. at PA, Inc. (SDS at PA) (a Pennsylvania corporation), which have a March 31 fiscal year end.

These companies are engaged in non-hazardous waste collection, recycling, transportation and transfer station businesses. The Companies service residential, commercial and municipal customers in the states of New York and Pennsylvania.

For the purpose of the combined financial statements, all material intercompany balances and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the application of certain accounting policies as described in this note and elsewhere in the financial statements and notes.

(a) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(b) Revenue Recognition

The Company recognizes revenue as the related services are provided. Certain customers are billed in advance and, accordingly, recognition of the related revenues is deferred until the services are provided.

(c) Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. The Company provides for depreciation and amortization using the straight-line method by charges to operations in amounts that allocate the cost of the assets over their estimated useful lives as follows:

Asset Classification	Estimated Useful Life
Buildings and improvements	28-40 years
Furniture, fixtures and office equipment	4-8 years
Vehicles	2-10 years
Machinery and containers	7-10 years

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

(d) Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash, trade receivables, trade payables and debt instruments. The book values of cash, trade receivables and trade payables approximate their respective fair values. The Company's debt instruments that are outstanding as of December 31, 1995

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and 1996 have carrying values that approximate their respective fair values. See Note 5 for the terms and carrying values of the Company's various debt instruments.

(e) Intangible Assets

Goodwill is the cost in excess of fair value of identifiable assets of acquired businesses and is amortized on the straight-line method over periods not exceeding 40 years. Other intangible assets include covenants not to compete and organization costs and are amortized on the straight-line method over their estimated useful lives, typically no more than 15 and 5 years, respectively. The Companies continually evaluate whether events and

circumstances have occurred subsequent to an acquisition that indicate the remaining estimated useful life or carrying value of these intangible assets may warrant revision. When factors indicate that these assets should be evaluated for possible impairment, the Companies use an estimate of the related business segment's undiscounted cash flows over the remaining life of the asset in measuring recoverability.

Intangible assets at December 31, 1995 and 1996 consist of the following:

	December 31,	
	1995	1996
Goodwill	$4,171,080	$4,393,480
Covenants not-to-compete	519,167	539,167
Organization costs	27,225	27,225
	4,717,472	4,959,872
Less--accumulated amortization	366,941	547,349
	$4,350,531	$4,412,523

(f) Income Taxes

Superior and Kerkim elected S corporation status under the Internal Revenue Code. Therefore, the tax effect of each company's operations will be reflected in the individual tax returns of the stockholder.

Kensue has elected C corporation status under the Internal Revenue Code and files consolidated federal and state income tax returns. Kensue records income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. Under SFAS No. 109, deferred income taxes are recognized based on the expected future tax consequences of differences between the financial statement basis and the tax basis of assets and liabilities, calculated using enacted tax rates in effect for the year in which the differences are expected to be reflected in the tax return.

(g) Accounting Principles

Effective May 1, 1996, the Companies adopted SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of. In accordance with SFAS No. 121, the Companies evaluate the recoverability of its carrying value of the Companies' long-lived assets and certain intangible assets based on estimated undiscounted cash flows to be generated from each of such assets as compared to the original estimates used in measuring the assets. To the extent impairment is identified, the Companies reduce the carrying value of such impaired assets. The change did not have a material impact on the Companies' financial statements.

3. ACQUISITIONS OF NEW BUSINESSES

During March 1995, Superior acquired the assets of two companies, Valley Disposal, Inc. and Doane's Disposal, Inc., for a total purchase price of approximately $1,008,000. The assets purchased included fixed assets totaling $659,000 and covenants not-to-compete totaling $19,000. The excess of the purchase price over the assets acquired was assigned to goodwill.

Kerkim acquired the assets of W.M. Speigel Sons, Inc. in September 1995 for a total purchase price of $2,400,000. The fair value assigned to fixed assets acquired and covenants not-to-compete were approximately $300,000 and

$200,000, respectively. The excess purchase price over the assets acquired was assigned to goodwill.

In June 1995, Kensue acquired all of the outstanding common stock of Claws for a total purchase price of approximately $594,000. Net assets acquired totaled approximately $243,000. The excess of the purchase price over the net assets acquired was allocated to goodwill in the amount of $351,000.

The subsidiaries of Kensue also completed several acquisitions during 1995. In November 1995, SDS at PA acquired the assets of WW Disposal Service, Inc. and G-Disposal Service, Inc. for a total purchase price of $2,229,000. The fair value of fixed assets acquired and covenants not-to-compete totaled $805,000 and $60,000, respectively. The excess purchase price over the assets acquired was allocated to goodwill.

In January 1996, Claws acquired the assets of A.C. Hamm for a total purchase price of $195,000. The fair value of fixed assets acquired and covenants not-to-compete totaled $143,000 and $10,000, respectively.

In July 1996, Superior also acquired the assets of Gar-Kim, Inc. for a total purchase price of $400,000. The fair value of fixed assets acquired and covenants not-to-compete totaled $184,000 and $10,000, respectively.

The acquisitions have been accounted for by the purchase method of accounting and, accordingly, the purchase prices have been allocated to the assets acquired based on the estimated fair values at the date of acquisition. The excess of purchase price over the estimated fair values of the net assets acquired has been recorded as goodwill, which is being amortized over 40 years.

4. SHORT-TERM LOANS

The short-term loans bear interest at rates ranging from 8% to 9.125% per annum and are secured by all assets of Superior and a certain loan by a personal guarantee of the sole stockholder.

5. LONG-TERM DEBT

Long-term debt as of December 31, 1995 and 1996 consists of the following:

	December 31,	
	1995	1996
Term loans and line of credit with banks	$4,950,562	$4,981,219
Notes payable in connection with businesses acquired	3,384,181	2,976,109
Other notes payable	246,636	168,633
	8,581,379	8,125,961
Less--current portion	1,359,861	1,748,264
	$7,221,518	$6,377,697

5. LONG-TERM DEBT (Continued)

The term loans and line of credit with banks bear interest at rates ranging from 9% to 9.625% per annum and are secured by all assets of the Companies, and certain loans by a personal guarantee of the sole stockholder. The loans are due on dates ranging from January 1997 to September 2002 and are payable in monthly installments ranging from $520 to $25,000.

Notes payable in connection with businesses acquired bear interest at

rates ranging from 7% to 10% and are secured by all the assets of the Companies. The notes are due on dates ranging from January 1997 to December 2005, and are payable in monthly installments ranging from $1,000 to $12,215.

As of December 31, 1996, debt matures as follows (rounded to thousands):

	Amount
Fiscal Year Ended December 31,	
1997	$1,748,000
1998	1,238,000
1999	1,206,000
2000	1,512,000
2001	944,000
Thereafter	1,478,000
	$8,126,000

In January 1997, a substantial portion of the Companies' debt was paid off by Casella Waste Systems in connection with the acquisition described in Note 9.

6. COMMITMENTS AND CONTINGENCIES

(a) Leases

The following is a schedule of future minimum lease payments, together with the present value of the net minimum lease payments under capital leases, as of December 31, 1996.

	Operating Leases	Capital Leases
Fiscal Year Ended December 31,		
1997	$ 39,627	$ 91,296
1998	40,206	91,296
1999	39,416	104,404
2000	37,816	20,655
Total minimum lease payments	$157,065	307,651
Amount representing interest		46,229
		261,422
Current maturities of capital lease obligations		68,352
Present value of long-term capital lease obligations		$193,070

The Companies lease hauling vehicles under leases that qualify for treatment as capital leases. The assets related to these leases have been capitalized and are included in property and equipment.

The Companies lease operating facilities and equipment under operating leases with monthly payments ranging from $170 to $2,900.

6. COMMITMENTS AND CONTINGENCIES (Continued)

Total rent expense under operating leases charged to operations was $16,000 and $33,600 during the years ended 1995 and 1996, respectively.

(b) Litigation

In the normal course of conducting its operations, the Companies may become involved in certain legal and administrative proceedings. Some of these actions may result in fines, penalties or judgments against the Companies, which may have an impact on earnings for a particular period. Management expects that such matters in process at December 31, 1996 will not have a material adverse effect on the Companies' financial position, including its liquidity or its results of operations.

7. INCOME TAXES

The provision for income taxes as of December 31, 1995 and 1996 consists of the following:

	December 31,	
	1995	1996
Federal--		
Current	$ 30,341	$ --
Deferred	(13,095)	13,095
	17,246	13,095
State	12,100	19,629
Total	$ 29,346	$32,724

The provision for income taxes differs from the amounts determined by applying the federal statutory rate of 40% to income before provision for income taxes due mainly to the S corporation status of Superior and Kerkim and state income taxes.

The components of the deferred tax asset at December 31, 1995 and 1996 are as follows:

	December 31,	
	1995	1996
Net operating loss carryforwards	$ --	$ 41,187
Allowance for doubtful accounts	--	39,783
Accelerated depreciation of property and equipment	4,000	8,000
Deferred revenue	9,095	(11,482)
	13,095	77,488
Less--valuation allowance	--	77,488
	$13,095	$ --

In 1996, the Companies recorded a 100% valuation allowance against the deferred tax asset, as realization of the asset is uncertain.

8. RELATED PARTY TRANSACTIONS

Superior leases its office and garage facility in Newfield, New York, from its sole stockholder. Rental payments for the years ended December 31, 1995 and 1996 totaled $30,000 and $64,000, respectively. The lease is on a month-to-month basis.

8. RELATED PARTY TRANSACTIONS (Continued)

The sole stockholder is guarantor on several outstanding loans of the Companies. In addition, one loan is collateralized by the personal residence of the sole stockholder.

9. SUBSEQUENT EVENTS

On January 2, 1997, Casella Waste Systems, Inc. (CWS) acquired substantially all of the assets of Superior Disposal Services, Inc., Claws Refuse Inc. and S.D.S. at PA, Inc., accounted for as an asset purchase. On January 23, 1997, CWS acquired substantially all of the assets of Kerkim, Inc., which it also accounted for as an asset purchase.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Chairman and Members of the Board of Legislators of
Clinton County, New York:

We have audited the accompanying balance sheet of Clinton County, New York--Solid Waste Department Enterprise Fund as of December 31, 1995, and the related statements of operations, fund deficit and cash flows for the year then ended. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clinton County, New York--Solid Waste Department Enterprise Fund as of December 31, 1995, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
July 25, 1997

BALANCE SHEET

	December 31, 1995	June 30, 1996 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,271,096	$ 5,296,980
Accounts receivable--trade	415,547	591,185
State and federal aid receivable	946,418	840,603
Prepaid expenses	--	67,011
Total current assets	8,633,061	6,795,779
Property, plant and equipment, at cost:		
Land	223,861	235,561
Landfills	5,252,146	5,741,167
Land improvements	698,830	698,830
Buildings	2,642,443	2,694,693
Machinery and equipment	3,994,023	3,998,733
	12,811,303	13,368,984
Less--accumulated depreciation and amortization	1,928,116	2,142,468
	10,883,187	11,226,516
	$ 19,516,248	$ 18,022,295
LIABILITIES AND FUND DEFICIT		
Current liabilities:		
Bond anticipation notes payable	$ 11,758,648	$ 11,361,098
Current maturities of long-term debt	322,800	326,000
Accounts payable	717,755	75,193
Accrued liabilities	371,621	499,871
Accrued closure and postclosure costs, current portion	366,531	122,640
Total current liabilities	13,537,355	12,384,802
Long-term debt, less current maturities	4,831,600	4,505,600
Accrued closure and postclosure costs, less current portion	7,773,402	7,794,081
Other long-term liabilities	127,926	118,961
Fund deficit:		
Contributed capital	909,790	909,790
Accumulated deficit	(7,663,825)	(7,690,939)
Total fund deficit	(6,754,035)	(6,781,149)
	$ 19,516,248	$ 18,022,295

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

CLINTON COUNTY, NEW YORK--
SOLID WASTE DEPARTMENT ENTERPRISE FUND

STATEMENT OF OPERATIONS

Year Ended December 31, 1995	Six Months Ended June 30, 1996

		(Unaudited)
Service revenues	$4,184,317	$1,539,321
State and federal aid	871,004	--
Net revenues	5,055,321	1,539,321
Operating expenses:		
Cost from operations	3,373,310	1,076,742
General and administrative	213,134	74,047
Depreciation and amortization	447,401	214,352
	4,033,845	1,365,141
Income from operations	1,021,476	174,180
Other (income) expenses:		
Interest income	(334,258)	(140,924)
Interest expense	577,526	353,072
Loss on sale of equipment	16,855	--
Other income	(110,169)	(10,854)
	149,954	201,294
Net income (loss)	$ 871,522	$ (27,114)

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

CLINTON COUNTY, NEW YORK--
SOLID WASTE DEPARTMENT ENTERPRISE FUND

STATEMENT OF FUNDS DEFICIT

	Contributed Capital	Accumulated Deficit	Total Fund Deficit
Balance, December 31, 1994	$909,790	$ (8,535,347)	$ (7,625,557)
Net income	--	871,522	871,522
Balance, December 31, 1995	909,790	(7,663,825)	(6,754,035)
Net loss (unaudited)	--	(27,114)	(27,114)
Balance, June 30, 1996 (unaudited)	$909,790	$ (7,690,939)	$ (6,781,149)

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

CLINTON COUNTY, NEW YORK--
SOLID WASTE DEPARTMENT ENTERPRISE FUND

STATEMENT OF CASH FLOWS

Year Ended December 31, 1995	Six Months Ended June 30, 1996
	(Unaudited)

Cash flows from operating activities:		
Net income (loss)	$ 871,522	$ (27,114)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities--		
Depreciation and amortization	447,401	214,352
Loss on sale of equipment	16,855	--
Changes in assets and liabilities--		
Accounts receivable	157,083	(175,638)
State and federal aid receivable	(790,263)	105,815
Prepaid expenses	--	(67,011)
Accounts payable	428,814	(642,562)
Accrued closure and postclosure costs	(1,050,610)	(223,212)
Accrued liabilities	124,778	119,285
	(665,942)	(668,971)
Net cash provided by (used in) operating activities	205,580	(696,085)
Cash flows from investing activities:		
Additions to property and equipment	(6,030,603)	(557,681)
Proceeds from sale of equipment	67,366	--
Net cash used in investing activities	(5,963,237)	(557,681)
Cash flows from financing activities:		
Proceeds from issuance of bond anticipation notes	6,690,000	--
Principal payments on bond anticipation notes	(402,320)	(397,550)
Principal payments on long-term debt	(292,800)	(322,800)
Net cash provided by (used in) financing activities	5,994,880	(720,350)
Net increase (decrease) in cash and cash equivalents	237,223	(1,974,116)
Cash and cash equivalents, beginning of period	7,033,873	7,271,096
Cash and cash equivalents, end of period	$ 7,271,096	$ 5,296,980
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 531,983	$ 191,412

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

CLINTON COUNTY, NEW YORK--
SOLID WASTE DEPARTMENT ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS
(INCLUDING DATA APPLICABLE TO UNAUDITED PERIODS)

1. OPERATIONS

The Clinton County, New York--Solid Waste Department Enterprise Fund (the Fund) is engaged in nonhazardous waste collection, recycling, transportation and transfer station and landfill disposal facility businesses. The Fund services residential, commercial and municipal customers throughout Clinton County, New York (the County).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

The Fund recognizes collection and recycling services revenues as the services are provided. State aid consists of funds granted by the State of New York to the Fund to subsidize costs associated with the closure of the County's landfills.

(b) Cash and Cash Equivalents

The Fund considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. The Fund provides for depreciation using the straight-line method by charges to operations in amounts that allocate the cost of the assets over their estimated useful lives as follows:

Asset Classification	Estimated Useful Life
Buildings	30 years
Machinery and equipment	5-20 years
Land improvements	6-15 years

Depreciation expense for the year ended December 31, 1995 and the six months ended June 30, 1996 was $447,401 and $214,352, respectively. The cost of maintenance and repairs is charged to operations as incurred.

Capitalized landfill costs include expenditures for land and related airspace, permitting costs and preparation costs. Landfill permitting and preparation costs represent only direct costs related to these activities including legal, engineering and construction. Management routinely reviews its investment in operating landfills, transfer stations and other significant facilities to determine whether the costs of these investments are realizable.

Landfill permitting and acquisition costs, excluding the estimated residual value of land, are typically amortized as permitted airspace of the landfill is consumed. For many of the Fund's landfills, preparation costs, which include the costs of construction associated with excavation, liners and the installation of leak detection and leachate collection systems, are also typically amortized as total permitted airspace of the landfill is consumed. In determining the amortization rate for these landfills, preparation costs include the total estimated costs to complete construction of the landfills' permitted capacity.

(d) Accrued Closure and Postclosure Costs

New York state laws and regulations require the Fund to place a final cover on all sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfills stop accepting waste, the Fund reports a portion of these closure and postclosure care costs as

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

an operating expense in each period based on landfill capacity used as of each balance sheet date. The $8,139,933 and $7,916,721 reported as accrued closure and postclosure care liability at December 31, 1995 and June 30, 1996, respectively, represents the cumulative amount recorded to date, less amounts previously paid, based on the estimated capacity used. As of June 30, 1996, 97 percent of the capacity at the Schuyler Falls landfill and 100 percent at the AuSable and Mooers landfill site had been used. The Fund will recognize the remaining estimated cost of closure and postclosure care of $138,267 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 1996. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

The County plans to finance the landfill closures through the issuance of County bonds and debt service expected to be paid primarily through user fees charged at the landfills and future lease payments from privatization of the landfills' management and operations (see Note 5).

(e) General and Administrative Expenses

Included in general and administrative expenses are allocations of general County expenses in the amounts of $180,000 and $67,000 for the year ended December 31, 1995 and the six months ended June 30, 1996, respectively.

(f) Income Taxes

The Fund is a department of Clinton County, New York, a municipal corporation, and is therefore exempt from state and federal income taxes.

(g) Fair Value of Financial Instruments

The Fund's financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables and debt instruments. The book values of cash and cash equivalents, trade receivables and trade payables approximate their respective fair values. The Fund's debt instruments that are outstanding as of December 31, 1995 and June 30, 1996 have carrying values that approximate their respective fair values. See Note 3 for the terms and carrying values of the Fund's various debt instruments.

(h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(i) Impairment of Long-Lived Assets

Effective January 1, 1996, the Fund adopted Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of. This statement requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The statement also requires that certain long-lived assets and identifiable intangibles to be disposed of be reported at the lower of the carrying amount or fair value less cost to sell. The adoption of this statement did not impact the Fund's financial statements.

3. LONG-TERM DEBT

Long-term debt as of December 31, 1995 and June 30, 1996 consisted of the following:

	December 31, 1995	June 30, 1996 (unaudited)
Bond anticipation notes payable	$11,758,648	$11,361,098
Serial bond payable	5,154,400	4,831,600
	16,913,048	16,192,698
Less--current portion	12,081,448	11,687,098
	$ 4,831,600	$ 4,505,600

Bond anticipation notes must be renewed annually. As of December 31, 1995,

the Fund had eight notes outstanding with principal amounts ranging from $23,000 to $6.4 million. These notes bear interest at rates ranging from 3.85 percent to 4.59 percent.

As of June 30, 1996, the Fund had six notes outstanding with principal amounts ranging from $75,000 to $6.4 million. These notes bear interest at rates ranging from 3.62 percent to 4.00 percent.

The Serial Bonds were issued in 1994 in the amount of $5.4 million. As of December 31, 1995 and June 30, 1996, approximately $5.1 million and $4.8 million, respectively, remains outstanding bearing interest at rates ranging from 5.1 percent to 5.7 percent. These notes are due to mature in 2012.

As of June 30, 1996, debt matures as follows:

	Amount
	(unaudited)
Fiscal Year Ended June 30,	
1997	$11,687,098
1998	326,000
1999	354,000
2000	357,200
2001	384,200
Thereafter	3,084,200
	$16,192,698

4. RETIREMENT BENEFITS

The Fund participates in the New York State and Local Employees' Retirement System and the Public Employees' Group Life Insurance Plan. These are cost sharing multiple-employer retirement plans. These plans provide retirement benefits as well as death and disability benefits. The Fund is required to contribute at an actuarially determined rate. The contributions made for the year ended December 31, 1995 and the six months ended June 30, 1996 were $17,304 and $7,334, respectively, and were equal to 100% of the required contributions.

In addition to providing pension benefits, the Fund provides health insurance benefits, in accordance with its Civil Service Employees Association, Inc. contract, to retired employees and their spouses. These benefits are funded and accounted for by the Fund as paid, which is not materially different from the accrual method required by SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. The total cost of providing these benefits during the year ended December 31, 1995 and the six months ended June 30, 1996 was not material.

5. SUBSEQUENT EVENT

On July 10, 1996, the Fund entered into a 25-year operation, management and lease agreement with Casella Waste Systems, Inc. (Casella). Under this agreement, Casella will lease all of the Fund's non-hazardous solid waste system facilities, which includes the fully permitted Subtitle D lined landfill, one transfer station, one recycling facility, 11 convenience stations and all of the equipment associated with these facilities. As part of this agreement, Casella will pay the Fund the total sum of $10,501,284 payable in 28 equal quarterly installments, commencing with the closing date. In addition, in accordance with the agreement, Casella will be responsible for, and pay for, the capping and closing of the Fund's Schuyler Falls, New York, unlined

landfill in 1997. The Fund will be responsible for postclosure care of the unlined landfill. The total cost of this landfill closure project is currently estimated at $3,200,000.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of:
H.C. Gobin, Inc.
Claremont, NH

We have audited the accompanying balance sheets of H.C. Gobin, Inc. (a Delaware Corporation) as of December 31, 1996 and 1995, and the related statement of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of H.C. Gobin, Inc. as of December 31, 1996 and 1995 and the results of operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ Barrett & Dattilio, P.C.

Barrett & Dattilio, P.C.
Registration #440

September 26, 1997
Quechee, VT

H.C. GOBIN, INC.

BALANCE SHEETS

	December 31, 1995	December 31, 1996	June 30, 1997 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 40,773	$ 81,460	$ 156,423
Accounts receivable--trade, less allowance for doubtful accounts of approximately $5,000, $45,000 and $10,000	442,085	642,585	567,109
Accounts receivable--employee	360	800	--
Deferred income taxes	--	33,236	--
Inventory	65,005	61,332	56,383
Prepaid expenses	62,245	47,500	51,322
Prepaid insurance	24,259	25,904	26,535
Note receivable--stockholder	--	24,535	24,535
Deposits	5,000	--	--

Total current assets	639,727	917,352	882,307
Property and equipment, at cost:			
Rolling stock	484,163	2,601,229	2,443,433
Buildings	--	148,053	149,053
Leasehold improvements	40,089	45,877	45,877
Machinery and equipment	598,219	1,581,021	1,542,968
Assets under capital lease	2,183,793	18,255	18,255
Construction in progress	20,559	--	--
	3,326,823	4,394,435	4,199,586
Less--accumulated depreciation	1,299,097	1,521,185	1,587,185
Property and equipment, net	2,027,726	2,873,250	2,612,401
Other assets:			
Customer list, net of accumulated amortization	11,043	358,727	204,815
Goodwill, net of accumulated amortization	40,985	48,762	46,920
Covenant, net of accumulated amortization	11,528	119,025	10,273
Loan fees, net of accumulated amortization	2,700	63,648	61,160
Management systems	32,838	37,679	35,585
Deposits, net of current	600	6,150	15,850
	99,694	633,991	374,603
	$2,767,147	$4,424,593	$3,869,311

See independent auditor's report and accompanying notes to financial statements.

H.C. GOBIN, INC.

BALANCE SHEETS

(Continued)

	December 31,		June 30,
	1995	1996	1997
			(Unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Line of credit	$ 65,000	$ 249,952	$ 215,417
Current maturities of long-term debt, capital lease obligations and due to stockholders	365,249	328,196	328,196
Accounts payable	272,850	860,544	1,099,260
Accrued payroll and related expenses	16,059	54,788	25,300
State income tax payable	1,410	1,903	3,587
Deferred revenue	6,174	31,739	36,829
401K pension plan	476	678	400
Accrued interest	3,861	23,539	20,687
Deferred income taxes	12,188	--	--
Other accrued expenses	--	1,392	--
Total current liabilities	743,267	1,552,731	1,729,676
Long-term debt, less current maturities	437,864	2,267,469	2,093,227
Capital lease obligations, less current maturities	461,820	10,737	6,767
Deferred income taxes	--	--	31,138
Due to stockholders, less current maturities	7,388	5,395	2,766
Stockholders' equity:			
Common stock, no par value Authorized--3,000 shares Issued and outstanding--240 shares	124,800	124,800	124,800
Additional paid-in capital	50,422	50,422	50,422

Treasury stock--cost	(377,585)	(377,585)	(377,585)
Retained earnings	1,319,171	790,624	208,100
Total stockholders' equity	1,116,808	588,261	5,737
	$2,767,147	$4,424,593	$3,869,311

See independent auditor's report and accompanying notes to financial statements.

H.C. GOBIN, INC.

STATEMENTS OF INCOME (LOSS) AND RETAINED EARNINGS

	Fiscal Year Ended December 31,		Six Months Ended June 30,
	1995	1996	1997
			(Unaudited)
Net revenues	$3,676,850	$4,871,867	$2,567,416
Operating expenses:			
Cost from operations	2,528,881	3,808,637	2,070,017
General and administrative	517,811	860,264	473,338
Depreciation and amortization	245,993	393,652	203,917
	3,292,685	5,062,553	2,747,272
Income from operations	384,165	(190,686)	(179,856)
Other (income) expenses:			
Interest income	(4,403)	(6,873)	--
Interest expense	172,000	250,521	138,797
Sale of assets	(20,397)	17,990	157,935
Loss on investment	--	--	29,451
Penalty on capital lease conversion	--	118,330	--
	147,200	379,968	326,183
Income before provision for income taxes	236,965	(570,654)	(506,039)
Provision for income taxes	9,523	(42,107)	76,485
Net income (loss)	$ 227,442	$ (528,547)	$ (582,524)
Retained earnings, beginning of year	1,091,729	1,319,171	790,624
Retained earnings, end of period	$1,319,171	$ 790,624	$ 208,100

See independent auditor's report and accompanying notes to financial statements.

H.C. GOBIN, INC.

STATEMENTS OF CASH FLOWS

	Fiscal Year Ended December 31,		Six Months Ended June 30,
	1995	1996	1997
			(Unaudited)

Cash flows from operating activities:			
Net income (loss)	$ 227,442	$ (528,547)	$ (582,524)
Adjustments to reconcile net income (loss) to net cash provided by operating activities--			
Depreciation and amortization	245,993	393,652	203,917
(Gain) loss on sale of equipment	(20,397)	17,990	157,935
Provision (benefit) for deferred income taxes	6,413	(45,424)	74,878
Changes in assets and liabilities--			
Accounts receivable	(128,923)	(200,940)	76,276
Notes receivable	13,829	(24,535)	--
Prepaid expenses	(10,180)	18,100	(4,453)
Inventories	(7,521)	3,673	4,949
Other current assets	(16,939)	(611,148)	(9,699)
Accounts payable	77,038	587,694	197,135
Accrued expenses and other liabilities	13,245	86,059	3,842
	172,558	225,321	704,780
Net cash provided by (used in) operating activities	400,000	(303,426)	122,256
Cash flows from investing activities:			
Additions to property and equipment	(698,197)	(1,190,187)	(17,832)
Proceeds from sale of equipment	7,275	14,845	185,918
Net cash provided by (used in) investing activities	(690,922)	(1,175,342)	168,086
Cash flows from financing activities:			
Proceeds from issuance debt	962,899	2,429,483	--
Principal payment on line of credit	--	184,952	(34,535)
Principal payments on long-term debt	(304,680)	(1,094,980)	(180,844)
Purchase of treasury stock	(377,585)	--	--
Net cash provided by (used in) financing activities	280,634	1,519,455	(215,379)
Net increase (decrease) in cash and cash equivalents	(10,288)	40,687	74,963
Cash and cash equivalents, beginning of period	51,061	40,773	81,460
Cash and cash equivalents, end of period	$ 40,773	$ 81,460	$ 156,423
Supplemental disclosures of cash flow information:			
Cash paid during the year for--			
Interest	$ 168,139	$ 230,843	$ 135,167
Income taxes	$ 1,935	$ 2,824	$ --

Cash and Cash Equivalents--For purposes of the Statements of Cash Flows, the Company considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

See independent auditor's report and accompanying notes to financial statements.

H.C. GOBIN, INC.
NOTES TO FINANCIAL STATEMENTS
(Including Data Applicable to Unaudited Periods)

1. Summary of Significant Accounting Policies

Operations--H.C. Gobin, Inc. (the Company) was incorporated in 1982 in the State of Delaware and operates from five locations within New Hampshire. The Company provides waste services to municipal, industrial and commercial customers.

Basis of Accounting--The Company uses the accrual basis of accounting for financial statement purposes and the income tax basis of accounting for tax purposes.

Depreciation--The Company follows the policy of charging to costs and

expenses annual amounts of depreciation which allocate the cost of the property, plant and equipment over their estimated useful lives. The Company employs the straight-line method for determining the annual charge for depreciation. The ranges of estimated useful lives are:

	Years
Vehicles	5-10
Trailers	3-10
Office Equipment	3-10
Leasehold Improvements	10-40

Income Taxes--No provision for federal income taxes has been made since under an election previously filed with the Internal Revenue Service, the Company's income or loss is reported on the tax return of the stockholders.

For state income tax purposes effective December 1, 1994, the Company changed from the deferred method of accounting for income taxes to an asset and liability method in accordance with Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes."

Under the asset and liability method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities and are measured using enacted tax rates.

Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Provision for state income taxes as of December 31, 1995 and 1996 and June 30, 1997 are as follows:

	December 31,		
	1995	1996	June 30, 1997
			(Unaudited)
Current	$3,110	$ 3,317	$ 1,607
Deferred	6,413	(45,424)	74,878
Provision (Benefit) for income taxes	$9,523	$ (42,107)	$76,485

1. Summary of Significant Accounting Policies (Continued)

Net deferred tax liabilities in the accompanying balance sheets include the following components:

	December 31,		
	1995	1996	June 30, 1997

		(Unaudited)	
Deferred tax liabilities arising from:			
Temporary differences--principally			
Cash to accrual adjustment	$ (70,937)	$ (33,236)	$ 115,564
Capital leases	83,125	--	--
Deferred tax assets arising from:			
Net operating loss carryforward	--	--	(84,426)
Net deferred tax liability (asset)	$ 12,188	$ (33,236)	$ 31,138

Taxes paid to the State of Vermont were $150, $150 and $0 during the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997, respectively. New Hampshire taxes were $1,935, $3,167 and $(77) during the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997, respectively. State of New York taxes were $0 during the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997.

Amortization--The Company is currently amortizing the following intangible costs over various years using the straight line method.

Items	Years
Loan Fees	15
Customer List	15
Organizational cost	5
Covenant Not to Compete	15
Goodwill	15

The amortization expense was $4,874, $76,851 and $834,496 for the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997, respectively.

Inventories--Inventories consist of service parts. Inventory is stated at the lower of cost or market on the first-in, first-out, (FIFO) basis.

Allowance for Doubtful Accounts--Allowance for doubtful accounts of $5,150, $45,000 and $10,000 for the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997, respectively, have been offset against accounts receivable for financial statement purposes.

2. Long-Term Debt and Due to Stockholders

Long-term debt and due to stockholders at December 31, 1995 and 1996 and June 30, 1997, consisted of the following:

	December 31,		
	1995	1996	June 30, 1997 (Unaudited)
Non-interest bearing demand note due individuals, unsecured. Payable September, 1996.	$ 37,500	$ --	$ --
10.5% note to First NH Bank. Secured by assets of the Company. Monthly payments of $1,927, principal and interest. Due March, 1999.	61,684	--	--
13% note due shareholder. Secured by vehicle.			

Monthly payments of $505, principal and interest. Due 1998.	12,150	7,389	4,766
11.4% note due individual. Secured by assets of the Company. Monthly payments of $4,000, principal and interest. Due 2012	353,995	346,021	341,821
Variable note at 1.5% over prime to First NH Bank secured by assets of the Company. Monthly payments of $1,600, principal and interest. Due 1997.	32,394	--	--
Non-interest bearing note due individual. Unsecured. Monthly payments of $1,000, principal only. Due 1999.	36,000	31,000	25,000
9.2% note due to First Essex Bank. Secured by assets of the Company and shareholder. Monthly payments of $32,708, principal and interest. Due February, 2003.	--	1,838,743	1,737,194
9.25% note due to First Essex Bank. Secured by assets purchased. Monthly payments of $5,925, principal and interest. Due April, 2001.	--	252,479	205,434
Note due Ford Motor Credit. Secured by asset purchased. Monthly payments of $298, principal and interest. Due January, 1999.	--	12,213	11,372
8.99% note due to First Essex Bank. Secured by assets purchased. Monthly payments of $2,435, principal and interest. Due June, 2001.	--	109,213	94,603
	533,723	2,597,058	2,420,190
Less Current Portion	88,471	324,194	324,197
	$445,252	$2,272,864	$2,095,993

The notes payable were extinguished as part of the acquisition of H.C. Gobin, Inc. by Casella Waste Systems, Inc. See Note 16. No long-term debt maturity has been presented.

3. Related Party Transactions

The Company has entered into a lease arrangement for office space and equipment with a related party. The lease is on a month to month basis cancelable by either party. Present monthly rent has been set at $1,300. During the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997, the Company paid the lessor $15,600, $15,600 and $7,800, respectively.

4. Line of Credit

At December 31, 1995 the Company had a line of credit from First NH Bank with a maximum borrowing limit of $100,000. Borrowings on this line of credit were $65,000 on December 31, 1995. This line was guaranteed by various assets of the Company and personally by the majority stockholder.

In February, 1996, the First NH Bank line of credit was repaid and closed. It was replaced with a line of credit at the First Essex Bank with a maximum borrowing limit of $250,000. Borrowings on this line were $249,952 and $215,417 at December 31, 1996 and June 30, 1997, respectively. This line is guaranteed by various assets of the Company and personally by the majority stockholder. The note matures in April, 2001.

The line of credit was extinguished as part of the acquisition of H.C. Gobin, Inc. by Casella Waste Systems, Inc. See note 16. No future minimum payments have been presented.

5. Notes Receivable

Notes receivable at December 31, 1995 and 1996 and June 30, 1997, consisted of the following:

	December 31,		
	1995	1996	June 30, 1997
			(Unaudited)
Unsecured note from shareholders. No stated interest or repayment terms.	$ --	$24,535	$24,535
Less Current Portion	--	24,535	24,535
	$ --	$ --	$ --

6. Performance Bonding

The Company has been approved by Frontier Insurance Company for performance bonding coverage not to exceed $3.5 million including bid bonds at an annual usage rate of 1.65% of any portion of the coverage used. The Company had drawn down on the available coverage in the amount of $430,290 as of December 31, 1995 to secure various projects. During 1996 the Company did not have a pre-approved limit for performance bonding coverage. As of June 30, 1997, the Company had drawn down on the available coverage in the amount of $185,000 to secure various projects.

7. Stock Redemption

The Company's majority stockholders of record on December 31, 1994 entered into a stock redemption plan with the Company. The agreement was executed on January 1, 1995.

The Company entered into a loan agreement with the stockholders redeeming their stock under the following terms:

Principal loan amount $363,415
Interest rate 11.4%
Term of loan ..... 207 payments

7. Stock Redemption (Continued)

The loan is secured by various equipment of the Company. See the long-term debt footnote for additional details.

8. Business Development

The Company is currently involved in various business development projects within New Hampshire and Vermont. These projects are in the research and development stages. Expenses related to these development projects are included as current year expenses within the income statement line items. Costs incurred during the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997 were approximately $14,000, $13,000 and $1,000, respectively.

9. Prepaid Expenses

The Company has elected to prepay various expenses in order to more effectively manage its operating affairs. Prepaid items as of December 31, 1995 and 1996 and June 30, 1997 are as follows:

	December 31,		June 30,
	1995	1996	1997
			(Unaudited)
Licenses	$ 8,230	$12,132	$19,995
Insurance	24,259	30,079	26,535
Legal fees	15,753	--	--
Other	--	2,087	7,330
	$48,242	$44,298	$53,860

10. Contract Costs

The Company incurs various costs related to preparation and implementation of long-term contracts. Management has elected to amortize these initial costs over the term of the contract. As of December 31, 1995 and 1996 and June 30, 1997, prepaid contract costs were $38,262, $29,106 and $23,997 respectively. These costs relate to contracts entered into in 1995, 1996, 1997 and future years.

11. Business Acquisition

During March of 1996 the Company acquired a commercial hauling business. The acquisition price was $1,270,665 subject to adjustment based on a formula outlined in the purchase and sales agreement. The acquisition was financed through First Essex Bank, with various credit facilities which included retirement of First NH Bank debt, and capital lease obligations.

12. Obligations Under Capital Leases

The Company is the lessee of vehicles and equipment under capital leases expiring in various years through 2000. The assets and liabilities under capital leases are recorded at the lower of the present values of the minimum lease payments or the fair values of the assets. The assets are included in property and equipment and are depreciated over their estimated useful lives.

As of June 30, 1997, minimum future lease payments under capital leases are:

Year Ended June 30, (Unaudited)	
1998	$ 3,970
1999	3,970
2000	2,826
Total minimum lease payments	$10,766

The capital lease obligations as of December 31, 1996 were extinguished as part of the acquisition of H.C. Gobin, Inc. by Casella Waste Systems, Inc. See

Note 16.

H.C. GOBIN, INC.
NOTES TO FINANCIAL STATEMENTS
(Including Data Applicable to Unaudited Periods)--(Continued)

13. 401(k) Pension Plan

The Company has a 401(k) type pension and profit sharing plan for eligible employees. Employees are eligible to participate in the plan if they have been employed by the Company for one year. Generally, employees can defer up to 15% of their salary into the plan, not to exceed $9,500. The employer can make a discretionary contribution for the employees based on profit.

14. Contingent Liabilities

The Company was contingently liable on two (2) employment contracts as of December 31, 1996:

1) Liable to an employee for severance pay of $7,500 upon employee voluntary termination at any time prior to August 1, 2000. No amount has been recorded in the financial statements.

2) Liable to an employee for severance pay equal to 15 weeks full compensation including salary and medical/dental insurance. This liability is approximately $24,596 and has been recorded as a liability in the financial statements.

15. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

16. Subsequent Events

16A) During February 1997 the Company became in technical default of its loan covenants with First Essex Bank. The default provisions were mitigated upon the asset sale in August 1997 to Casella Waste Systems, Inc.

16B) During March 1997 the Company lost an investment of $29,451 due to poor market conditions related to various option investments in Hampton-Rhodes, LTD.

16C) On August 1, 1997, Casella Waste Systems, Inc., and subsidiaries (CWS) acquired all of the assets of the Company. The purchase price of approximately $4,880,000 consisted of $1,421,397 in cash, a $300,000 subordinated note to the seller and $3,158,603 in liabilities and closing costs paid/assumed at closing.

17. Retained Earnings--Restatement

The retained earnings of the Company have been restated as of January 1, 1995. The restatement is a result of a change in the accounting for capital lease obligation related to deferred taxes.

Retained Earnings--12/31/94 (As previously reported)	$1,020,939
Correction of deferred tax Calculation--12/31/94	70,790
Retained Earnings--1/1/95 (Restated)	$1,091,729

18. Legal Matters

The Company was involved in several pending legal matters during the audit period and subsequently through the date of the audit report.

18A) NH/VT Solid Waste Project v. H.C. Gobin, Inc.--The Company has escrowed approximately $185,000 with the Clerk of the Superior Court for Sullivan County, New Hampshire. According to the Company's legal council, evaluation of the likelihood of an unfavorable outcome appears to be unlikely to exceed the funds held on deposit.

18. Legal Matters (Continued)

18B) Paul Blann v. H.C. Gobin, Inc.--An employee of the Corporation terminated in February 1997 has brought a claim for wrongful termination in both Vermont and New Hampshire courts. The case in New Hampshire was concluded with a judgment for the Company. The case in Vermont is pending. According to the Company's legal counsel, in the unlikely event the Company were to lose, a judgment between $25,000 and $100,000 could be anticipated.

18C) The Company has commenced an arbitration proceeding against Rose Disposal Services, Inc. and Anco Leasing Corporation based on a claim of indemnification pursuant to the Company's purchase of assets from those two corporations in February 1996. Pursuant to that indemnification right, the Company has set off indemnification payments against two promissory notes given by it in that asset purchase transaction. The principals of Anco Leasing Corporation and Rose Disposal Services, Inc. have threatened but have not brought proceedings to collect amounts due under the promissory note.

PLAN OF DISTRIBUTION

The shares covered hereby may be offered and sold from time to time by the Selling Stockholders, or by their pledgees, donees, transferees or other successors in interest. The Selling Stockholders will act independently of the Company in making decisions with respect to the timing, manner and size of each sale. Such sales may be made in the over-the-counter market or otherwise, at prices related to the then current market price or in negotiated transactions, including pursuant to one or more of the following methods: (i) purchases by a broker-dealer as principal and the resale by such broker or dealer for its account pursuant to this Prospectus; (ii) ordinary brokerage transactions and transactions in which the broker solicits purchasers; and (iii) block trades in which the broker-dealer so engaged will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction. In effecting sales, broker-dealers engaged by the Selling Stockholders, or by their pledgees, donees, transferees or other successors in interest may arrange for other broker-dealers to participate. Broker-dealers will receive commissions or discounts from the Selling Stockholders, or from their pledgees, donees, transferees or other successors in interest in amounts to be negotiated immediately prior to the sale.

The shares covered hereby are being registered by the Company pursuant to the terms of a Registration Rights Agreement among the Company, the Selling Stockholders and Goldman, Sachs & Co. (as amended, the "Registration Rights Agreement"). All of the Shares offered hereby owned by persons other than Maureen Winters have been pledged as security for loans to such persons. Pursuant to the Registration Rights Agreement, all of the Selling Stockholders have agreed not to sell their shares of stock of the Company until August 31, 1998, otherwise than (i) as a bona fide gift or a transfer effected solely for estate planning purposes, provided the donee or transferee agrees in writing to be bound by the terms of the Registration Rights Agreement, (ii) pursuant to an effective registration statement filed by the Buyer covering such shares (other than the Registration Statement of which this Prospectus is a part), or (iii) with the prior written consent of the Company. In addition, the pledgee of the loan has agreed not to sell any of the shares pledged to it except in connection with the exercise of its rights as pledgee of such shares following a bona fide

margin call on such shares. The Company has agreed to keep the Registration Statement of which this Prospectus is a part effective until the earlier of the sale of all shares covered hereby or December 19, 1998 (the "Termination Date"); provided, that the Company may terminate or withdraw the Registration Statement of which this Prospectus is a part under certain circumstances enumerated in the Registration Rights Agreement. In the event that the Company undertakes an underwritten public offering in the first half of fiscal 1999, the Company expects that the shares covered hereby will be offered for sale in that offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources".

The pledgee may act as broker-dealer or principal with respect to the shares in the manner described in the foregoing paragraphs. The Company has agreed to indemnify the pledgee with respect to certain liabilities in connection with this Prospectus, including liabilities under the Securities Act.

In offering the shares covered hereby, the Selling Stockholders, or their pledgees, donees, transferees or other successors in interest and any broker-dealers and any other participating broker-dealers who execute sales for the Selling Stockholders may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales, and the compensation of such broker-dealer may be deemed to be underwriting discounts and commissions.

In connection with the offering contemplated hereby, certain persons participating in the offering may purchase and sell the Common Stock in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover short positions created by such persons in connection with the offering. Stabilizing transactions consist of certain bids or purchases for the purposes of preventing or retarding a decline in the market price of the Common Stock; and short positions created by such persons involve the sale by such persons of a greater number of shares of Common Stock than they may be required to purchase in the offering. Certain persons participating in the offering also may impose a penalty bid, whereby selling concessions allowed to broker-dealers in respect of the Common Stock sold in the offering may be reclaimed by such persons if such shares of Common Stock are repurchased by such persons in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Common Stock, which may be higher than the price that might otherwise prevail in the open market; and these activities, if commenced, may be discontinued at any time. These transactions may be effected on the Nasdaq National Market, in the over-the-counter market or otherwise.

Because Goldman, Sachs & Co. may receive more than ten percent (10%) of the proceeds, the offering is being made pursuant to Rule 2710(c)(8) of the National Association of Securities Dealers, Inc. However, a bona fide independent market for the Company's Class A Common Stock exists as of the date hereof, and accordingly there is no restriction on the participation of Goldman, Sachs & Co. in the offering as contemplated.

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No person has been authorized to give any information or to make any representations other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

TABLE OF CONTENTS

272,884 Shares

Casella Waste Systems, Inc.

Class A Common Stock
($0.01 par value)

[LOGO]

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the various expenses, all of which will be borne by Goldman, Sachs & Co., as pledgee of the securities being registered, in connection with the sale and distribution of such securities. All amounts shown are estimates except for the Securities and Exchange Commission registration fee and the NASD filing fee.

Nature of Fee or Expense	Amount
SEC registration fee	$ 2,128
NASD filing fee	1,221
Accounting fees and expenses	35,000
Legal fees and expenses	20,000
Printing and engraving, and distribution expenses	25,000
Miscellaneous	5,000
Total	$88,349

Item 14. Indemnification of Directors and Officers

Section 145 of the General Corporation Law of the State of Delaware ("Section 145") permits a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

In the case of an action by or in the right of the corporation, Section 145 permits the corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation. No indemnification may be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which the Court of Chancery or such other court shall deem proper.

To the extent that a director, officer, employee, or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in the preceding two paragraphs, Section 145 requires that he be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 145 provides that expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit, or proceeding may be paid by the corporation in advance of the final disposition of such action, suit, or proceeding upon receipt of an

undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in Section 145.

Article Sixth of the Company's Amended and Restated Certificate of Incorporation eliminates the personal liability of the directors of the Company to the Company or its stockholders for monetary damages for breach of fiduciary duty as directors, with certain exceptions, and Article Seventh requires indemnification of directors and officers of the Company, and for advancement of litigation expenses to the fullest extent permitted by Section 145.

The Registration Rights Agreement, as amended, filed herewith as Exhibits 10.23 and 10.24 provide for indemnification of the directors, certain officers, and controlling persons of the Company by Goldman, Sachs & Co. and the Selling Stockholders against certain civil liabilities, including liabilities under the Securities Act.

Item 15. Recent Sales of Unregistered Securities

In the three years preceding the filing of this Registration Statement, the Registrant has issued the following securities that were not registered under the Securities Act:

In October 1994, the Registrant issued 450,000 shares of its Class A Common Stock to National Waste Industries, Inc. as compensation for services rendered in connection with certain landfill transactions. These shares were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act.

In April 1995, the Registrant issued warrants to Len Fosbrook and Bill Fosbrook to purchase an aggregate of 100,000 shares of the Class A Common Stock of the Registrant, in connection with the purchase by the Registrant of the business of Springer Sanitation Services, Inc. The exercise price of the warrants was $6.00 per share, and the warrants were valued for purposes of the acquisition at $4.00 per share. These warrants were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act. In September 1997, Len Fosbrook exercised warrants to purchase 25,000 shares of the Registrant's Class A Common Stock at an exercise price of $6.00 per share. In September, 1997, the Registrant exercised its right to call the remaining warrants to purchase 75,000 shares of Class A Common Stock of the Registrant which remained unexercised as of such time at a price of $7.00 per share.

In December 1995, the Registrant issued 1,922,169 shares of its Series D Convertible Preferred Stock to a group of investors consisting of Norwest Equity Partners V, Weston Presidio Capital II, L.P., BCI Growth III, L.P., FSC Corp., Thomas S. Shattan and Prudential Securities Group, Inc., at a price of $7.00 per share. These shares were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act. In connection with this transaction, the Registrant also issued a warrant to Prudential Securities Incorporated, which served as placement agent in connection with such transaction, to purchase 96,108 shares of the Registrant's Class A Common Stock at an exercise price of $7.00 per share. These warrants were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act. In connection with the sale of the Series D Convertible Preferred Stock, the holders of the Registrant's $1,500,000 Senior Notes due July 31, 1998 exchanged such notes for 616,620 shares of Series A Redeemable Preferred Stock, having a redemption value of $1.50 per share (of which, 100,000 shares of Series A Redeemable Preferred Stock were immediately repurchased by the Registrant) and the holders of the Registrant's $5,200,000 Senior Notes due July 31, 1998 exchanged such notes for 1,402,461 shares of Series B Redeemable Preferred Stock, having a redemption value of $2.00 per share (of which, 107,882 shares of Series B Redeemable Preferred Stock were immediately repurchased by the Registrant). These transactions were effected in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act.

In connection with the acquisition of the Sawyer Companies in January 1996, the Registrant issued to W. Tom Sawyer a warrant to purchase 40,000 shares of Class A Common Stock at an exercise price of $7.00 per share. The warrants were not attributed any value by the Company. These warrants were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act.

In January 1996, the Registrant issued warrants to Robert McNeil and Susan

Olivieri to purchase an aggregate of 100,000 shares of the Class A Common Stock of the Registrant, in connection with the purchase by the Registrant of the business of Northeast Waste Services, Ltd. The exercise price of the warrants is $7.25 per share, and the warrants were not attributed any value for purposes of the transaction. These warrants were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act.

In November 1996, the Company issued 60,427 shares of its Class A Common Stock to each of Douglas C. Taff and Michael B. Barrett in connection with the Registrant's acquisition of Vermont Waste and Recycling Management, Inc. For purposes of the transaction, the Class A Common Stock was valued at $12.00 per share. The Registrant placed 16,892 of the shares issued to each person into escrow to secure the sellers' obligations under the acquisition documents. These securities were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act.

In January 1997, in connection with the acquisition by the Registrant of the assets of Superior Disposal Service, Inc. and Kerkim, Inc., and related companies, the Registrant issued 570,960 shares of Class A Common Stock to Kenneth H. Mead, the sole stockholder of the selling entities. Pursuant to the terms of the acquisition agreement, the Registrant was required to issue an additional 63,440 shares of Class A Common Stock on the first anniversary of the closing date, subject to adjustment pursuant to the indemnification obligations of Mr. Mead under the acquisition agreement. Pursuant to the terms of the acquisition agreement, Mr. Mead forfeited certain shares back to the Company based on the trading price of the Company's Class A Common Stock following the Company's initial public offering. These securities were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act.

Between July 26, 1993 and July 31, 1997, the Registrant issued options to certain officers, directors and employees of the Registrant to purchase an aggregate of 1,397,635 shares of Class A Common Stock at a weighted average exercise price of approximately $6.16 per share. These options were offered and issued in reliance upon the exemption from registration set forth in Rule 701 under the Securities Act.

In July and September 1997, the Registrant issued 20,000 shares and 20,000 shares, respectively, upon the exercise of options by two officers of the Company, at an exercise price of $0.60 per share, for an aggregate consideration of $24,000. These shares were offered and issued in reliance upon the exemption from registration set forth in Rule 701 under the Securities Act.

In September 1997, the former owner of a business acquired by the Company exercised warrants to purchase 25,000 shares of the Registrant's Class A common stock at an exercise price of $6.00 per share. These shares were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act.

On November 5, 1997, the Company acquired the Teelon group of solid waste collection companies in western New York State in a transaction accounted for as a purchase. The total purchase price was $4.9 million, including $1.5 million in liabilities assumed and/or discharged, $2.8 million cash paid to the sellers and 28,000 shares of Class A common stock issued to the sellers. The shares of Class A common stock were offered and issued in reliance upon the exemption from registration set forth in section 4(2) under the Securities Act of 1933.

On December 1, 1997 the Company effected a merger with Pine Tree Waste, Inc. of South Portland, Maine, in a transaction accounted for as a purchase. The total purchase price was $4.4 million, including $2.9 million in liabilities assumed and/or discharged, 81,131 shares of Class A common stock issued to the sellers, and a reserve of 16,274 shares of Class A common stock to be issued pending the results of a post-acquisition audit. The shares of Class A common stock were offered and issued in reliance upon the exemption from registration set forth in section 4(2) under the Securities Act of 1933.

On December 19, 1997 the Company effected a merger with All Cycle Waste, Inc. and Winters Brothers, Inc. (commonly owned entities) of Williston, Vermont, in a transaction accounted for as a pooling of interests. The Company issued 416,103 shares of Class A common stock for all of the outstanding stock of All Cycle Waste, Inc. and 187,244 shares of Class A common stock for all of the outstanding stock of

Winters Brothers, Inc. The shares of Class A common stock were offered and issued in reliance upon the exemption from registration set forth in section 4(2) under the Securities Act of 1933.

On December 11, 1997 Prudential Securities Group, Inc. exercised warrants to purchase 32,902 shares of the Company's Class A common stock. Prudential Securities exercised these warrants in a cashless transaction, surrendering 50,654 warrants in exchange for 32,902 shares of Class A common stock. The shares of Class A common stock were offered and issued in reliance upon the exemption from registration set forth in section 3(a)(9) under the Securities Act of 1933.

Except as set forth above, no underwriters were involved in the foregoing issuances of securities.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant. (Incorporated herein by reference to Exhibit 3.3 to Amendment No. 1 to the Company's Registration Statement on Form S-1 as filed September 24, 1997 (SEC File No. 333-33135)).
3.2	Second Amended and Restated By-Laws of the Registrant. (Incorporated herein by reference to Exhibit 3.5 to Amendment No. 1 to the Company's Registration Statement on Form S-1 as filed September 24, 1997 (SEC File No. 333-33135)).
4	Specimen Certificate for Class A Common Stock. (Incorporated herein by reference to Exhibit 4 to Amendment No. 2 to the Company's Registration Statement on Form S-1 as filed October 9, 1997 (SEC File No. 333-33135)).
5	Opinion of Hale and Dorr LLP.
10.1	1993 Incentive Stock Option Plan. (Incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).
10.2	1994 Nonstatutory Stock Option Plan. (Incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).
10.3	1996 Stock Option Plan. (Incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).
10.4	1997 Stock Incentive Plan. (Incorporated herein by reference to Exhibit 10.4 to Amendment No. 1 to the Company's Registration Statement on Form S-1 as filed September 24, 1997 (SEC File No. 333-33135)).
10.5	1997 Non-Employee Director Stock Option Plan. (Incorporated herein by reference to Exhibit 10.5 to Amendment No. 1 to the Company's Registration Statement on Form S-1 as filed September 24, 1997 (SEC File No. 333-33135)).
10.6	Registration Rights Agreement between the Registrant and Susan Olivieri and Robert MacNeil, dated January 3, 1996. (Incorporated herein by reference to Exhibit 10.6 to Amendment No. 1 to the Company's Registration Statement on Form S-1 as filed September 24, 1997 (SEC File No. 333-33135)).
10.7	1995 Registration Rights Agreement between the Registrant and the stockholders who are a party thereto, dated as of December 22, 1995. (Incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).
10.8	Warrant to Purchase Common Stock of the Registrant granted to John W. Casella, dated as of July 26, 1993. (Incorporated herein by reference to Exhibit 10.11 to Amendment No. 1 to the Company's Registration Statement on Form S-1 as filed September 24, 1997 (SEC File No. 333-33135)).

Exhibit No.	Description
10.9	Warrant to Purchase Common Stock of the Registrant granted to Douglas R. Casella,

dated as of July 26, 1993. (Incorporated herein by reference to Exhibit 10.12 to Amendment No. 1 to the Company's Registration Statement on Form S-1 as filed September 24, 1997 (SEC File No. 333-33135)).

10.10 Asset Purchase Agreement by and among Kenneth H. Mead, Kerkim, Inc. and Casella Waste Management of N.Y., dated as of January 17, 1997. (Incorporated herein by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).

10.11 Reorganization Agreement by and among Kenneth H. Mead, Superior Disposal Services, Inc., Kensue, Inc., S.D.S. at PA, Inc. and Claws Refuse, Inc., dated as of January 17, 1997. (Incorporated herein by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).

10.12 Termination of Lease Agreement by and between Casella Associates and Casella Waste Management, Inc. dated September 25, 1996. (Incorporated herein by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).

10.13 Amended and Restated Revolving Credit Agreement between the Registrant, BankBoston and the other parties named therein, dated as of January 12, 1998.

10.14 Lease Agreement, as Amended, between Casella Associates and Casella Waste Management, Inc., dated December 9, 1994 (Rutland lease). (Incorporated herein by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).

10.15 Lease Agreement, as Amended, between Casella Associates and Casella Waste Management, Inc., dated December 9, 1994 (Montpelier lease). (Incorporated herein by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).

10.16 Furniture and Fixtures Lease Renewal Agreement between Casella Associates and Casella Waste Management, Inc., dated May 1, 1994. (Incorporated herein by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).

10.17 Lease, Operations and Maintenance Agreement between CV Landfill, Inc. and the Registrant dated June 30, 1994. (Incorporated herein by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).

10.18 Restated Operation and Management Agreement by and between Clinton County (N.Y.) and the Registrant dated September 9, 1996. (Incorporated herein by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).

10.19 Labor Utilization Agreement by and between Clinton County (N.Y.) and the Registrant dated August 7, 1996. (Incorporated herein by reference to Exhibit 10.22 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).

10.20 Lease and Option Agreement by and between Waste U.S.A., Inc. and New England Waste Services of Vermont, Inc., dated December 14, 1995. (Incorporated herein by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).

10.21 Consulting and Non-Competition Agreement between the Registrant and Kenneth H. Mead, dated January 23, 1997. (Incorporated herein by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).

Exhibit No.	Description

10.22 Issuance of Shares by the Registrant to National Waste Industries, Inc., dated October 19, 1994. (Incorporated herein by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-1 as filed August 7, 1997 (SEC File No. 333-33135)).

10.23 Registration Rights Agreement among the Registrant, Joseph M. Winters, Andrew B. Winters, Brigid Winters, Sean Winters and Maureen Winters (the "All Cycle Stockholders") dated as of December 19, 1997.

10.24 Amendment No. 1 to Registration Rights Agreement among the Registrant, the All Cycle Stockholders, Winters Family Partnership and Goldman, Sachs & Co. dated as of June 1, 1998.

21 Subsidiaries of the Registrant.

23.1 Consent of Hale and Dorr LLP (included in Exhibit 5).

23.2 Consent of Arthur Andersen LLP.

23.3 Consent of Barrett & Dattilio, P.C.

24 Power of Attorney.

(b) Financial Statement Schedules

All other schedules have been omitted because they are not required or because the required information is given in the Consolidated Financial Statements or Notes thereto.

Item 17. Undertakings

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions contained in the Restated Certificate of Incorporation and Amended and Restated By-Laws of the Registrant and the laws of the State of Delaware, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned Registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this

Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Rutland, Vermont, on this 31st day of May, 1998.

CASELLA WASTE SYSTEMS, INC.

By: /s/ John W. Casella
John W. Casella
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John W. Casella John W. Casella	President, Chief Executive Officer and Chairman	May 31, 1998
/s/ James W. Bohlig James W. Bohlig	Senior Vice President and Chief Operating Officer, Director	May 31, 1998
/s/ Jerry S. Cifor Jerry S. Cifor	Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)	May 31, 1998
/s/ Douglas R. Casella Douglas R. Casella	Director Officer (Principal Accounting and	May 31, 1998
/s/ John F. Chapple III John F. Chapple III	Director Officer (Principal Accounting and	May 31, 1998
/s/ Kenneth H. Mead Kenneth H. Mead	Director	May 31, 1998
/s/ Michael F. Cronin Michael F. Cronin	Director	May 31, 1998
/s/ Gregory B. Peters	Director	May 31, 1998

Hale and Dorr LLP
60 State Street
Boston, MA 02109

June 3, 1998

Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, VT 05701

Re: Registration Statement on Form S-1

Gentlemen:

This opinion is furnished to you in connection with a Registration Statement on Form S-1(the "Registration Statement") filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), for the registration of an aggregate of 262,884 shares of Class A Common Stock, $0.01 par value per share (the "Shares"), of Casella Waste Systems, Inc., a Delaware corporation (the "Company") which will be sold by certain stockholders of the Company (the "Selling Stockholders").

We are acting as counsel for the Company in connection with the sale by the Selling Stockholders of the Shares. We have examined signed copies of the Registration Statement as filed with the Commission. We have also examined and relied upon minutes of meetings of the Board of Directors of the Company as provided to us by the Company, stock record books of the Company as provided to us by the Company, the Amended and Restated Certificate of Incorporation and By-Laws of the Company, each as restated and/or amended to date, and such other documents as we have deemed necessary for purposes of rendering the opinions hereinafter set forth.

In our examination of the foregoing documents, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, the authenticity of the originals of such latter documents and the legal competence of all signatories to such documents.

Our opinion in clause (ii) below, insofar as it relates to the Selling Stockholders' shares being fully paid, is based solely on a certificate of the Chief Financial Officer of the Company.

We assume that the appropriate action will be taken, prior to the offer and sale of the Shares, to register and qualify the Shares for sale under all applicable state securities or "blue sky" laws.

We express no opinion herein as to the laws of any state or jurisdiction other than the state laws of the Commonwealth of Massachusetts, the Delaware General Corporation Law statute and the federal laws of the United States of America. To the extent that any other laws govern the matters as to which we are opining herein, we have assumed that such laws are identical to the state laws of the Commonwealth of Massachusetts, and we are expressing no opinion herein as to whether such assumption is reasonable or correct.

Based upon and subject to the foregoing, we are of the opinion that the Shares to be sold by the Selling Stockholders have been duly authorized and are validly issued, fully paid and nonassessable.

It is understood that this opinion is to be used only in connection with the offer and sale of the Shares while the Registration Statement is in effect.

Please note that we are opining only as to the matters expressly set forth herein, and no opinion should be inferred as to any other matters. This opinion is based upon currently existing statutes, rules, regulations and judicial decisions, and we disclaim any obligation to advise you of any change in any of these sources of law or subsequent legal or factual developments which might affect any matters or opinions set forth herein.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act and to the use of our name therein and in the related Prospectus under the caption "Legal Matters." In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

/s/ Hale and Dorr LLP

HALE AND DORR LLP

EXHIBIT 10.13

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

dated as of January 12, 1998

by and among

CASELLA WASTE SYSTEMS, INC.,
and its Subsidiaries

and

VARIOUS OTHER FINANCIAL INSTITUTIONS
PARTY THERETO (the "Banks")

and

BANKBOSTON, NA., as Agent
KEYBANK NATIONAL ASSOCIATION, as Co-Agent
BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION, as Co-Agent

with

BANCBOSTON SECURITIES, INC.,
acting as Loan Arranger

BOS-BUS:470101

Exhibits

Schedules

BOS-BUSN:552657.1

This AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT is made as of the 12th day of January, 1998 by and among CASELLA WASTE SYSTEMS, INC., a Delaware corporation (the "Parent"), its Subsidiaries listed on Schedule 1 hereto (the "Subsidiaries," the Parent and such Subsidiaries herein collectively referred to as the "Borrowers"), each of which Borrowers (unless otherwise listed on Schedule 1 hereto) having its principal place of business at 25 Greens Hill Lane, Rutland, Vermont and BANKBOSTON, N.A., ("BankBoston"), a national banking association having its principal place of business at 100 Federal Street, Boston, Massachusetts 02110, KEYBANK NATIONAL ASSOCIATION individually and as Co-Agent, USTRUST, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, individually and as Co-Agent, COMERICA BANK and such banks or other financial institutions which may become a party hereto pursuant to 19 hereof (the "Banks") and BankBoston as Agent for the Banks (the "Agent").

WHEREAS, the Borrowers, BankBoston, USTrust, KeyBank and the Agent were parties to that certain Revolving Credit and Term Loan Agreement dated as of January 25, 1995, as amended to date (as so amended, the "Original Credit Agreement"), pursuant to which such Banks agreed to make Loans to the Borrowers as set forth therein;

WHEREAS, the Borrowers, BankBoston, USTrust, KeyBank and the Agent amended and restated the Original Credit Agreement in its entirety as set forth in that certain Amended and Restated Revolving Credit and Term Loan Agreement dated as of June 17, 1997 (the "June, 1997 Credit Agreement"), pursuant to which such Banks agreed to make Loans to Borrowers as set forth therein;

WHEREAS, the Borrowers, BankBoston, USTrust, KeyBank, Bank of America National Trust and Savings Association, BHF- Bank Aktiengesellschaft, Comerica Bank and the Agent amended and restated the June, 1997 in its entirety as set forth in that certain Amended and Restated Revolving Credit and Term Loan Agreement dated as of August 7, 1997 (the "August, 1997 Credit Agreement"), pursuant to which such Banks agreed to make loans to the Borrowers as set forth therein;

WHEREAS, the Borrowers have acquired two new subsidiaries, All Cycle Waste, Inc. and Winters Brothers, Inc., and such subsidiaries are added as Borrowers hereunder;

WHEREAS, the Borrowers have requested, and the Banks and the Agent have agreed to amend and restate the August, 1997 Credit Agreement in its entirety as set forth herein;

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINITIONS AND RULES OF INTERPRETATION.

1.1. Definitions. The following terms shall have the meanings set forth in this 1 or elsewhere in the provisions of this Agreement referred to below:

Accountants. See 6.4(a).

Agreement. This Amended and Restated Revolving Credit Agreement, including the Schedules and Exhibits hereto.

Agent. BankBoston acting as agent for the Banks.

Agent's Head Office. The Agent's head office is located at 100 Federal Street, Boston, Massachusetts 02110, or at such other location as the Agent may designate from time to time.

All Cycle. All Cycle Waste, Inc., a Vermont corporation.

Applicable Laws. See 7.10.

Applicable Rate. The applicable rate per annum of interest on the Loans set forth in the following table:

@@

Pricing Ratio	Applicable Rate for Base Rate Loans	Applicable Rate for Eurodollar Rate Loans
less than 2.00:1	Base Rate	Eurodollar Rate plus 1.00% per annum
greater than or equal to 2.00:1 and less than 2.50:1	Base Rate	Eurodollar Rate plus 1.25% per annum
greater than or equal to 2.50:1 and less than 3.00:1	Base Rate	Eurodollar Rate plus 1.50% per annum
greater than or equal to 3.00:1 and less than 3.50:1	Base Rate	Eurodollar Rate plus 1.75% per annum
greater than or equal to 3.50:1	Base Rate	Eurodollar Rate plus 2.00% per annum

@@

Each Applicable Rate shall become effective on the first day after receipt by the Banks of financial statements delivered pursuant to 7.4(a) or (b) hereof which indicate a change in the Pricing Ratio and in the Applicable Rate in accordance with the above table. If at any time the financial statements required to be delivered pursuant to 7.4(a) or (b) hereof are not delivered with 10 days after the time periods specified in such subsections, the Applicable Rate shall be the rate set forth in the table for a Pricing Ratio greater than or equal to 3.50:1, subject to adjustment upon actual receipt of such financial statements.

Balance Sheet Date. April 30, 1997.

Bank of America. Bank of America National Trust and Savings Association individually and as Co-Agent.

BankBoston. BankBoston, N.A.

Banks. See Preamble.

Base Rate. The higher of (a) the annual rate of interest announced from time to time by the Agent at its head office in Boston, Massachusetts, as its "base rate" (it being understood that such rate is a reference rate and not necessarily the lowest rate of interest charged by the Bank) or (b) one percent (1%) above the overnight federal funds effective rate, as published by the Board of Governors of the Federal Reserve System, as in effect from time to time.

Base Rate Loans. Revolving Credit Loans bearing interest calculated by reference to the Base Rate.

Borrowers. See Preamble.

Business Day. Any day on which banking institutions in Boston, Massachusetts are open for the transaction of banking business, and, in the case of Eurodollar Rate Loans, also a day which is a Eurodollar Business Day.

Capital Assets. Fixed assets, both tangible (such as land, buildings, fixtures, machinery and equipment) and intangible (such as patents, copyrights, trademarks, franchises and good will); provided that Capital Assets shall not include any item customarily charged directly to expense or depreciated over a useful life of twelve (12) months or less in accordance with GAAP.

Capital Expenditures. Amounts paid or indebtedness incurred by any Person in connection with the purchase and lease by such Person of Capital Assets that would be required to be capitalized and shown on the balance sheet of such Person in accordance with GAAP.

Casella Associates Leases. The leases between the Borrowers and Casella Associates, a Vermont partnership, for the property in Rutland, Vermont and Montpelier, Vermont.

Casella TIRES Real Estate. The Real Property in Elliot, Maine owned by Casella T.I.R.E.S., Inc.

Certified. With respect to the financial statements of any Person, such statements as audited by a firm of independent auditors, whose report expresses the opinion, without qualification, that such financial statements present fairly the financial position of such Person.

CFO. See 7.4(b).

Clinton Lease. The Operation, Management and Lease Agreement dated as of July 10, 1996 between the Parent and Clinton County, New York for the lease of the Clinton County Landfill and related assets.

Closing Date. The date on which the conditions precedent set forth in 10 are satisfied.

Code. The Internal Revenue Code of 1986, as amended and in effect from time to time.

Collateral. All of the property, rights and interests of the Borrowers that are or are intended to be subject to the security interests and mortgages created by the Security Documents.

Collateral Assignment of Contracts and Permits. The Amended and Restated Collateral Assignment of Contracts and Permits dated as of the Closing Date among the Borrowers and the Agent, in form and substance satisfactory to the Agent.

Commitment. With respect to each Bank, the amount determined by multiplying such Bank's Commitment Percentage by the aggregate amount of the Banks' Total Commitment to make Revolving Credit Loans to the Borrowers, as the same may be reduced from time to time.

Commitment Fee Percentage. The applicable percentage per annum as set forth below used in calculating the commitment fee payable pursuant to 5.2(a), which percentage shall vary from time to time in accordance with the Pricing Ratio: @@

Pricing Ratio	Commitment Fee Percentage
less than 2.00:1	1/4%
greater than or equal to 2.00:1 and less than 2.50:1	1/4%
greater than or equal to 2.50:1 and less than 3.00:1	3/8%

greater than or equal to 3.00:1 and less than 3.50:1	1/2%
greater than or equal to 3.50:1	1/2%

@@

The Commitment Fee Percentage shall become effective on the first day after receipt by the Banks of financial statements delivered pursuant to 7.4(a) or 7.4(b) which indicate a change in the Pricing Ratio and in the Commitment Fee Percentage in accordance with the above table.

If at any time the financial statements required to be delivered pursuant to 7.4(a) or (b) hereof are not delivered with 10 days after the time periods specified in such subsections, the Applicable Rate shall be the rate set forth in the table for a Pricing Ratio greater than or equal to 3.50:1, subject to adjustment upon actual receipt of such financial statements.

Commitment Percentage. With respect to each Bank, the percentage set forth beside its name on Schedule 2 hereto as the amount of such Bank's percentage of the aggregate Commitments of all of the Banks (subject to adjustment upon any assignment pursuant to 19).

Compliance Certificate. See 7.4(c).

Consolidated or consolidated. With reference to any term defined herein, shall mean that term as applied to the accounts of the Borrowers consolidated in accordance with GAAP.

Consolidated Earnings Before Interest and Taxes or EBIT. For any period, the Consolidated Net Income (or Deficit) of the Borrowers determined in accordance with GAAP, plus (a) interest expense, and (b) income tax expense.

Consolidated Earnings Before Interest Taxes Depreciation and Amortization or EBITDA. For any period, the Consolidated Net Income (or Deficit) of the Borrowers determined in accordance with GAAP, plus (a) interest expense, (b) income taxes (c) amortization expense and (d) depreciation expense for such period.

Consolidated Funded Indebtedness. See 9.3.

Consolidated Net Income (or Deficit). The consolidated net income (or deficit) of the Borrowers after deduction of all expenses, taxes and proper charges and before deduction of (a) the special pre-tax, one-time charges in the amount of $650,000 incurred in the fiscal quarter ended April 30, 1997 in connection with the settlement of the Meridian Litigation and (b) the $100,000 charge incurred in the fiscal quarter ended April 30, 1997 in connection with the establishment of a reserve for the Casella T.I.R.E.S., Inc. stockpile in Hampden, Maine.

Consolidated Total Interest Expense. For any period, the aggregate amount of interest expense required to be paid or accrued by the Borrowers during such period on all Indebtedness of the Borrowers outstanding during all or any part of such period, including capitalized interest expense for such period, but excluding therefrom the non-cash amortization of debt issuance costs.

Consolidated Total Assets. All assets of the Borrowers determined on a consolidated basis in accordance with GAAP.

Consolidated Total Liabilities. All liabilities of the Borrowers determined on a consolidated basis in accordance with GAAP.

Consulting Engineer. An environmental consulting firm acceptable to the Banks.

Conversion Request. A notice given by the Borrowers to the Agent of the Borrowers' election to convert or continue a Loan in accordance with 5.12.

Default. See 13.

Depository Accounts. See 6.23.

Disposal. See "Release".

Distribution. The declaration or payment of any dividend on or in respect of any shares of any class of capital stock of any Person, other than dividends payable solely in shares of common stock of such Person; the purchase, redemption, or other retirement of any shares of any class of capital stock of such Person, directly or indirectly through a Subsidiary or otherwise; the return of capital by any Person to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of such Person.

Dollars or $. Dollars in lawful currency of the United States of America.

EBIT. See definition of Consolidated Earnings Before Interest and Taxes.

EBITDA. See definition of Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization.

Employee Benefit Plan. Any employee benefit plan within the meaning of 3(3) of ERISA maintained or contributed to by any Borrower or any ERISA Affiliate, other than a Multiemployer Plan.

Environmental Laws. See 6.16(a).

ERISA. The Employee Retirement Income Security Act of 1974, as amended and in effect from time to time.

ERISA Affiliate. Any Person which is treated as a single employer with any Borrower under 414 of the Code.

ERISA Reportable Event. A reportable event with respect to a Guaranteed Pension Plan within the meaning of 4043 of ERISA and the regulations promulgated thereunder as to which the requirement of notice has not been waived.

Eurocurrency Reserve Rate. For any day with respect to a Eurodollar Rate Loan, the maximum rate (expressed as a decimal) at which any Bank subject thereto would be required to maintain reserves under Regulation D of the Board of Governors of the Federal Reserve System (or any successor or similar regulations relating to such reserve requirements) against "Eurocurrency Liabilities" (as that term is used in Regulation D), if such liabilities were outstanding. The Eurocurrency Reserve Rate shall be adjusted automatically on and as of the effective date of any change in the Eurocurrency Reserve Rate.

Eurodollar Business Day. Any day on which commercial banks are open for international business (including dealings in Dollar deposits) in London or such other Dollar interbank market as may be selected by the Agent in its sole discretion acting in good faith.

Eurodollar Rate. For any Interest Period with respect to a Eurodollar Rate Loan, the rate of interest equal to (i) the arithmetic rate per annum (rounded upwards to the nearest 1/16 of one percent) at which Dollar deposits are offered to the Agent by prime banks in whatever Eurodollar market may be selected by the Agent in its sole discretion, acting in good faith at or about 10:00 a.m. local time in such interbank market two Eurodollar Business Days prior to the beginning of such Interest Period, for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of the Eurodollar Rate Loan to which such Interest Period applies, divided by (ii) a number equal to 1.00 minus the Eurocurrency Reserve Rate, if applicable.

Eurodollar Rate Loans. Revolving Credit Loans bearing interest calculated by reference to the Eurodollar Rate.

Event of Default. See 13.

Generally Accepted Accounting Principles or GAAP. When used in general, Generally Accepted Accounting Principles means (1) principles that are consistent with the principles promulgated or adopted by the Financial

Accounting Standards Board and its predecessors, in effect for the fiscal year ended on the Balance Sheet Date, as shall be concurred in by independent certified public accountants of recognized standing whose report expresses an unqualified opinion (other than a qualification regarding changes in Generally Accepted Accounting Principles) as to financial statements in which such principles have been applied; and (2) when used with reference to the Borrowers, such principles shall include (to the extent consistent with such principles) the accounting practices reflected in the consolidated financial statements for the year ended on the Balance Sheet Date.

Guaranteed Pension Plan. Any employee pension benefit plan within the meaning of 3(2) of ERISA maintained or contributed to by any Borrower or any ERISA Affiliate the benefits of which are guaranteed on termination in full or in part by the PBGC pursuant to Title IV of ERISA, other than a Multiemployer Plan.

Hazardous Substances. See 6.16(b).

Indebtedness. All obligations, contingent and otherwise, that in accordance with GAAP should be classified upon the obligor's balance sheet as liabilities, or to which reference should be made by footnotes thereto, including in any event and whether or not so classified: (a) all debt and similar monetary obligations (including capitalized leases and operating leases with a term longer than 3 years), whether direct or indirect; (b) all obligations under any lease (a "synthetic lease") treated as an operating lease under generally accepted accounting principles and as a loan or financing for U.S. income tax purposes; (c) all liabilities secured by any mortgage, pledge, security interest, lien, charge, or other encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; and (d) all guarantees, endorsements and other contingent obligations in respect of indebtedness of others, whether direct or indirect, including any obligation to supply funds to or in any manner to invest in, directly or indirectly, the debtor, to purchase indebtedness, or to assure the owner of indebtedness against loss, through an agreement to purchase goods, supplies, or services for the purpose of enabling the debtor to make payment of the indebtedness held by such owner or otherwise, the obligations to reimburse the issuer in respect of any letters of credit and obligations in respect of interest or exchange rate or commodity hedging arrangements, fuel price swaps, fuel price caps, and fuel price collar or floor agreements, and similar agreements or arrangements.

Interest Period. With respect to each Eurodollar Loan:

(a) initially, the period commencing on the date of a conversion from a Base Rate Loan into a Eurodollar Loan or the making of a Eurodollar Loan, and ending one (1), two (2), three (3) months or six (6) thereafter, as the case may be, as the Borrowers may select pursuant to the provisions of this Agreement; and

(b) thereafter, each subsequent Interest Period shall begin on the last day of the preceding Interest Period, and end one (1), two (2), (3) months or six (6) thereafter, as the case may be, as the Borrowers may select pursuant to the provisions of this Agreement;

provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(A) if any Interest Period would otherwise end on a day that is not a Eurodollar Business Day, that Interest Period shall be extended to the next succeeding Eurodollar Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Eurodollar Business Day;

(B) if the Borrowers shall fail to give notice as provided in 5.12, the Borrowers shall be deemed to have requested a conversion of the affected Eurodollar Rate Loan to a Base Rate Loan and the continuance of all Base Rate Loans as Base Rate Loans on the last day of the then current Interest Period with respect thereto;

(C) any Interest Period relating to any Eurodollar Rate Loan that begins on the last Eurodollar Business Day of a calendar month (or on a day

for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Eurodollar Business Day of a calendar month; and

(D) no Interest Period shall extend beyond the Revolving Credit Maturity Date.

Investments. All expenditures made and all liabilities incurred (contingently or otherwise) for the acquisition of stock or Indebtedness of, or for loans, advances, capital contributions or transfers of property to, or in respect of any guaranties (or other commitments as described under Indebtedness), or obligations of, any Person. In determining the aggregate amount of Investments outstanding at any particular time: (a) the amount of any Investment represented by a guaranty shall be taken at not less than the principal amount of the obligations guaranteed and still outstanding; (b) there shall be included as an Investment all interest accrued with respect to Indebtedness constituting an Investment unless and until such interest is paid; (c) there shall be deducted in respect of each such Investment any amount received as a return of capital (but only by repurchase, redemption, retirement, repayment, liquidating dividend or liquidating distribution); (d) there shall not be deducted in respect of any Investment any amounts received as earnings on such Investment, whether as dividends, interest or otherwise, except that accrued interest included as provided in the foregoing clause (b) may be deducted when paid; and (e) there shall not be deducted from the aggregate amount of Investments any decrease in the value thereof.

KeyBank. KeyBank National Association individually and as Co-Agent.

Letters of Credit. Standby Letters of Credit issued or to be issued by the Agent under 3 hereof for the account of the Borrowers.

Letter of Credit Applications. Letter of Credit Applications in such form as may be agreed upon by any Borrower and the Agent from time to time which are entered into pursuant to 3 hereof as such Letter of Credit Applications are amended, varied or supplemented from time to time.

Letter of Credit Fee. See 5.2(b).

Letter of Credit Participation. See 3.1(b).

Letter of Credit Percentage. The percentage per annum equal to the margin above the Eurodollar Rate charged on Eurodollar Loans, as in effect from time to time, as set forth in the column "Applicable Rate for Eurodollar Rate Loans" in the Applicable Rate table above.

Loan Documents. This Agreement, the Notes, the Letter of Credit Applications, the Letters of Credit, the Security Documents, and the Subordination Agreements.

Loan and Letter of Credit Request. See 2.6.

Loans. The Revolving Credit Loans.

Maximum Drawing Amount. The maximum aggregate amount from time to time that the beneficiaries may draw under outstanding Letters of Credit.

Meridian Litigation. The civil action brought by John A. Russell, Jr. and Paul P. Tierney derivatively on behalf of Meridian Group, Inc. against the Parent and certain other parties in Rutland (Vermont) Superior Court.

Mortgages. The mortgages and deeds of trust, as amended and in effect from time to time, from the Borrowers to the Agent with respect to the fee and leasehold interests of the Borrowers in the Sanco Landfill, the Sawyer Real Estate, the Casella TIRES Real Estate, the Superior Real Estate, and the Waste USA Landfill, each in form and substance satisfactory to the Agent, and any other mortgages or deeds of trust requested by the Agent pursuant to 7.19.

Multiemployer Plan. Any multiemployer plan within the meaning of 3(37) of ERISA maintained or contributed to by any Borrower or any ERISA Affiliate.

Notes. See 2.3.

Obligations. All indebtedness, obligations and liabilities of the Borrowers to any of the Banks and the Agent, individually or collectively, existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, arising or incurred under this Agreement or any of the other Loan Documents or in respect of any of the Loans made or Reimbursement Obligations incurred or the Letters of Credit, the Notes, interest rate protection arrangements and similar agreements or arrangements provided by any of the Banks or any other instrument at any time evidencing any thereof.

PBGC. The Pension Benefit Guaranty Corporation created by 4002 of ERISA and any successor entity or entities having similar responsibilities.

Permit Note. The promissory note of New England Waste Services of Vermont, Inc. dated January 25, 1995 and payable to the order of Waste USA in the principal amount of $200,000.

Permitted Liens. See 8.2.

Person. Any individual, corporation, partnership, trust, unincorporated association, business, or other legal entity, and any government or any governmental agency or political subdivision thereof.

Pricing Ratio. At the end of any fiscal quarter of the Borrowers, the ratio of Indebtedness of the Borrowers for borrowed money and capitalized leases to (b) EBITDA for the period of four (4) consecutive fiscal quarters then ended, as calculated on the Compliance Certificate delivered by the Borrowers pursuant to 7.4(c).

Real Property. All real property heretofore, now, or hereafter owned or leased by the Borrowers.

Reimbursement Obligation. The Borrowers' obligation to reimburse the Agent and the Banks on account of any drawing under any Letter of Credit as provided in 3.2.

Release. Shall have the meaning specified in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601 et seq. ("CERCLA") and the term "Disposal" (or "Disposed") shall have the meaning specified in the Resource Conservation and Recovery Act of 1976, 42 U.S.C. 6901 et seq. ("RCRA") and regulations promulgated thereunder; provided, that in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply as of the effective date of such amendment and provided further, to the extent that the laws of a state wherein the property lies establishes a meaning for "Release" or "Disposal" which is broader than specified in either CERCLA or RCRA, such broader meaning shall apply.

Required Banks. As of any date, the Banks holding sixty-six and two thirds percent (66-2/3%) of the outstanding principal amount of the Loans on such date; and if no such principal is outstanding, the Banks whose aggregate Commitments constitute sixty-six and two thirds percent (66-2/3%) of the Total Commitment.

Revolving Credit Loans. Revolving credit loans made or to be made by the Banks to the Borrowers pursuant to 2.

Revolving Credit Maturity Date. January 12, 2003.

Sanco Landfill. The Landfill in Bethlehem, New Hampshire, owned and operated by North Country Environmental Services, Inc.

Sawyer Real Estate. The Real Property in Hampden, Maine owned by Sawyer Environmental Services and Sawyer Environmental Recovery Facilities, Inc.

Security and Pledge Agreement. The Amended and Restated Security and Pledge Agreement, dated the Closing Date, among the Borrowers and the Agent in form and substance satisfactory to the Agent.

Security Documents. The Security and Pledge Agreement, the Collateral Assignment of Contracts and Permits, and the Mortgages, each as amended and in effect from time to time, and any additional documents evidencing or perfecting the Agent's lien on the assets of the Borrowers for the benefit of the Banks,

including Uniform Commercial Code financing statements.

Settlement. The making of, or receiving of, payments in immediately available funds, by the Banks to or from the Agent in accordance with 2.7 to the extent necessary to cause each Bank's actual share of the outstanding amount of the Loans to be equal to each Bank's Commitment Percentage of the outstanding amount of such Loans, in any case where, prior to such event or action, the actual share is not so equal.

Settlement Amount. See 2.7(b).

Settlement Date. (a) The Drawdown Date relating to any Loan and Letter of Credit Request, (b) the last Business Day of each week, (c) the Business Day immediately following the Agent becoming aware of the existence of an Event of Default, (d) any Business Day on which the amount of Revolving Credit Loans outstanding from BankBoston is equal to or greater than BankBoston's Commitment, or (e) the Business Day immediately following any Business Day on which the amount of Revolving Credit Loans outstanding increases or decreases by more than $1,000,000 as compared to the previous Settlement Date.

Settling Bank. See 2.7(b).

Subordinated Debt. Indebtedness of the Borrowers which has been subordinated and made junior to the payment and performance in full of the Obligations, and evidenced as such by the Subordination Agreements or by another written instrument containing subordination provisions in form and substance satisfactory to the Banks, including without limitation, the Permit Note and the obligations to Waste USA under the Waste USA Lease; provided that (a) at the time such Subordinated Debt is incurred, no Default or Event of Default has occurred or would occur as a result of such incurrence, (b) the aggregate Subordinated Debt incurred after the date hereof does not exceed $15,000,000; and (c) the documentation evidencing such Subordinated Debt shall have been delivered to the Agent and shall contain all of the following characteristics: (i) it shall be unsecured, (ii) it shall bear a market rate of interest, (iii) it shall have a final maturity of at least five (5) years, (iv) it shall not require unscheduled principal repayments thereof prior to the maturity date, (v) it shall have financial covenants (including covenants relating to incurrence of indebtedness) which are meaningfully less restrictive than those set forth herein, (vi) it shall have no restrictions on the Borrower's ability to grant liens securing indebtedness ranking senior to such Subordinated Debt, (vii) it shall permit the incurrence of senior indebtedness under this Credit Agreement, (viii) it may be cross-accelerated with the Obligations and other senior indebtedness of the Borrowers (but shall not be cross-defaulted except for payment defaults which the senior lenders have not waived) and may be accelerated upon bankruptcy, (ix) it shall provide that (A) upon any payment or distribution of the assets of the Borrowers (including after the commencement of a bankruptcy proceeding) of any kind or character, all of the Obligations (including interest accruing after the commencement of any bankruptcy proceeding at the rate specified for the applicable Obligation, whether or not such interest is an allowable claim in any such proceeding) shall be paid in full prior to any payment being received by the holders of the Subordinated Debt and (B) until all of the Obligations (including the interest described in subclause (A) above) are paid in full in cash, any payment or distribution to which the holders of the Subordinated Debt would be entitled but for the subordination provisions of the type described in clauses (x) and (xi) hereof shall be made to the holders of the Obligations, (x) it shall provide that in the event of a payment default under 13.1(a) or (b) hereof, the Borrowers shall not be required to pay the principal of, or any interest, fees and all other amounts payable with respect to the Subordinated Debt until the Obligations have been paid in full in cash, (xi) it shall provide that in the event of any other Event of Default, the Banks shall be permitted to block payments of principal, interest, fees and all other amounts payable with respect to the Subordinated Debt for a period of 180 days, and (xii) it shall acknowledge that none of the provisions outlined in part (c) of this definition can be amended, modified or otherwise altered without the prior written consent of the Banks.

Subordination Agreements. Collectively, (a) the Waste USA Subordination Agreement, (b) the Subordination Agreement dated as of August 1, 1995 among the Agent, the Parent and Green Mountain Sanitation, Inc., Hardwick Recycling and Salvage, Inc., Morrisville Maintenance, Inc. and Northern Transfer, Inc. subordinating the $500,000 promissory note of the Parent referenced therein, (c) any Subordination Agreement among the Agent, Casella Waste Management, Inc. and

Northeast Waste Services, Ltd. subordinating certain obligations of Casella Waste Management, Inc. to Northeast Waste Services, Ltd. referenced therein, (d) any Subordination Agreement among the Agent, the Parent, and the sellers of the capital stock of Sawyer Environmental Recovery Facilities, Inc. and Sawyer Environmental Services (such sellers, collectively, the "Sawyer Sellers"), subordinating certain obligations of the Parent to the Sawyer Sellers referenced therein and (e) any other subordination agreements entered into by the Agent, the Borrowers and any sellers of assets to any Borrower, subordinating the obligations of such Borrower to such seller to the Obligations in substantially the form of Exhibit F hereto.

Subsidiary. Any corporation, association, trust, or other business entity of which the designated parent shall at any time own directly or indirectly through a Subsidiary or Subsidiaries at least a majority of the outstanding capital stock or other interest entitled to vote generally.

Superior Real Estate. The Real Property in Newfield, New York owned by Casella Waste Management of N.Y., Inc.

Total Commitment. $150,000,000, as such amount may be reduced pursuant to 2.2 hereof.

Type. As to any Revolving Credit Loan, its nature as a Base Rate Loan or a Eurodollar Rate Loan.

Waste USA. Waste U.S.A., Inc., a Vermont corporation.

Waste USA Landfill. The Landfill in Coventry, Vermont acquired from Waste USA by New England Waste Services of Vermont, Inc.

Waste USA Lease. The lease of the airspace at the Waste USA Landfill between the lessor thereunder and New England Waste Services of Vermont, Inc.

Waste USA Purchase Agreement. The Asset Purchase, Stock Purchase and Lease Agreement dated as of May 6, 1994 among Waste USA, 161531 Canada Ltd. and New England Waste Services, Inc., which agreement has been assigned by New England Waste Services, Inc. to New England Waste Services of Vermont, Inc.

Waste USA Subordination Agreement. The Subordination Agreement dated as of January 25, 1995, among the Agent and Waste USA.

Winters. Winters Brothers, Inc., a Vermont corporation.

Year 2000 Problem. The risk that computer applications used by the Borrowers may be unable to recognize and properly perform date-sensitive functions involving certain dates prior to, and any date after, December 31, 1999.

1.2. Rules of Interpretation.

(a) A reference to any document or agreement shall include such document or agreement as amended, modified or supplemented from time to time in accordance with its terms and the terms of this Agreement.

(b) The singular includes the plural and the plural includes the singular.

(c) A reference to any law includes any amendment or modification to such law.

(d) A reference to any Person includes its permitted successors and permitted assigns.

(e) Accounting terms capitalized but not otherwise defined herein have the meanings assigned to them by Generally Accepted Accounting Principles applied on a consistent basis by the accounting entity to which they refer.

(f) The words "include", "includes" and "including" are not limiting.

(g) All terms not specifically defined herein or by Generally Accepted Accounting Principles, which terms are defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts, have the meanings

assigned to them therein.

(h) Reference to a particular "" refers to that section of this Agreement unless otherwise indicated.

(i) The words "herein", "hereof", "hereunder" and words of like import shall refer to this Agreement as a whole and not to any particular section or subdivision of this Agreement.

2. THE REVOLVING CREDIT LOANS.

2.1. Commitment to Lend. Subject to the terms and conditions set forth in this Agreement, each of the Banks severally agrees to lend to the Borrowers and the Borrowers may borrow, repay, and reborrow from time to time between the Closing Date and the Revolving Credit Maturity Date upon notice by the Borrowers to the Agent given in accordance with 2.6, such Bank's Commitment Percentage of such sums as are requested by the Borrowers in the minimum aggregate amount of $500,000 or an integral multiple thereof; provided, that except as otherwise provided herein, the outstanding amount of Revolving Credit Loans and the Maximum Drawing Amount of the Letters of Credit shall not exceed the Total Commitment at any time. Revolving Credit Loans made hereunder shall be made pro rata in accordance with each Bank's Commitment Percentage. Each request for a Revolving Credit Loan hereunder shall constitute a representation and warranty by the Borrowers that the conditions set forth in 10 and 11, as the case may be, have been satisfied on the date of such request. Any unpaid Reimbursement Obligation under the Letters of Credit shall for all purposes be a Revolving Credit Loan hereunder.

2.2. Reduction of Total Commitment.

(a) The Borrowers shall have the right at any time and from time to time upon two (2) Business Days' prior written notice to the Agent to reduce by $1,000,000 or an integral multiple thereof or terminate entirely the Total Commitment, whereupon the Commitments of the Banks shall be reduced pro rata in accordance with their respective Commitment Percentages of the amount specified in such notice or, as the case may be, terminated. The Agent will notify the Banks promptly after receiving any notice of the Borrowers delivered pursuant to this 2.2.

(b) No reduction or termination of the Total Commitment once made may be revoked; the portion of the Total Commitment reduced or terminated may not be reinstated; and amounts in respect of such reduced or terminated portion may not be reborrowed.

2.3. The Notes. The Revolving Credit Loans shall be evidenced by promissory notes of the Borrowers in substantially the form of Exhibit A hereto (each a "Note"), dated as of the Closing Date and completed with appropriate insertions. One Note shall be payable to the order of each Bank in a principal amount equal to such Bank's Commitment or, if less, the outstanding amount of all Revolving Credit Loans made by such Bank, plus interest accrued thereon, as set forth below. The Borrowers irrevocably authorize each Bank to make or cause to be made, in connection with a drawdown date of any Revolving Credit Loan or at the time of receipt of any payment of principal on such Bank's Note, an appropriate notation on such Bank's records reflecting the making of such Revolving Credit Loan or the receipt of such payment (as the case may be). The outstanding amount of the Revolving Credit Loans set forth on such Bank's record shall be prima facie evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount shall not limit or otherwise affect the obligations of the Borrowers hereunder or under any Note to make payments of principal of or interest on any Note when due.

2.4. Maturity of the Revolving Credit Loans. The Revolving Credit Loans shall be due and payable on the Revolving Credit Maturity Date. The Borrowers promise to pay on the Revolving Credit Maturity Date all Revolving Credit Loans outstanding on such date, together with any and all accrued and unpaid interest thereon. The Banks shall effect a Settlement on the Revolving Credit Maturity Date.

2.5. Mandatory Repayments of the Revolving Credit Loans. If at any time the outstanding amount of the Revolving Credit Loans plus the Maximum Drawing Amount of all outstanding Letters of Credit exceeds the Total Commitment, whether by

reduction of the Total Commitment or otherwise, then the Borrowers shall immediately pay the amount of such excess to the Agent for application to the Revolving Credit Loans, subject to Settlement among the Banks in accordance with 2.7(b) hereof, or if no Revolving Credit Loans shall be outstanding, to be held by the Agent as collateral security for the Reimbursement Obligations provided, however, that if the amount of cash collateral held by the Agent pursuant to this 2.5 exceeds the amount of the Obligations, the Agent shall return such excess to the Borrowers.

2.6. Requests for Revolving Credit Loans. (a) The Borrowers shall give to the Agent written notice in the form of Exhibit B hereto (or telephonic notice confirmed by telecopy on the same Business Day in the form of Exhibit B hereto) of each Revolving Credit Loan requested hereunder (a "Loan and Letter of Credit Request") not later than 11:00 a.m. Boston time (i) no less than one (1) Business Day prior to the proposed drawdown date (the "Drawdown Date") of any Base Rate Loan and (ii) no less than three (3) Eurodollar Business Days prior to the proposed Drawdown Date of any Eurodollar Rate Loan. Each such notice shall specify (A) the amount of such Revolving Credit Loan, (B) the proposed Drawdown Date of such Revolving Credit Loan, (C) the Type of such Revolving Credit Loan, and (D) the Interest Period for such Revolving Credit Loan (if a Eurodollar Rate Loan).

(b) Notwithstanding the notice and minimum amount requirements set forth in 2.6(a) and 2.1 respectively, but otherwise in accordance with the terms and conditions of this Credit Agreement, the Agent may, in its sole discretion and without conferring with the Banks, make Revolving Credit Loans which are Base Rate Loans to the Borrowers by entry of credits to the Borrowers' operating account(s) with the Agent or such other account designated by the Parent and agreed to by the Agent to cover checks which the Borrowers have drawn or made against such account. The Borrowers hereby request and authorize the Agent to make from time to time such Revolving Credit Loans by means of appropriate entries of such credits sufficient to cover checks then presented. The Borrowers acknowledge and agree that the making of such Revolving Credit Loans shall, in each case, be subject in all respects to the provisions of this Credit Agreement as if they were Revolving Credit Loans covered by a Loan and Letter of Credit Request including, without limitation, the limitations set forth in 2.1 and the requirements that the applicable provisions of 10 (in the case of Revolving Credit Loans made on the Closing Date) and 11 be satisfied. All actions taken by the Agent pursuant to the provisions of this 2.6(b) shall be conclusive and binding on the Borrowers absent manifest error or the Agent's gross negligence or willful misconduct. Prior to a Settlement, interest on Revolving Credit Loans made pursuant to this 2.6(b) shall be for the account of the Agent.

2.7. Funds for Loans; Settlements.

(a) Upon receipt of the documents required by 10 and 11 and the satisfaction of the other conditions set forth therein, to the extent applicable, the Agent will deposit into the account of the Parent at the Agent's Head Office the amount of such Revolving Credit Loans requested by the Borrowers pursuant to 2.6 hereunder in immediately available funds not later than 2:00 p.m. (Boston time) on the proposed Drawdown Date.

(b) The Banks shall effect Settlements on each Settlement Date. On or before 12:00 p.m. (Boston time) on each such Settlement Date, the Agent shall give telephonic notice to the Banks of (i) (A) the respective outstanding amount of Revolving Credit Loans made by each Bank from the immediately preceding Settlement Date through the close of business on the prior day and (B) the unfunded amount, if any, of each Revolving Credit Loan requested pursuant to 2.6(a) as of such time on such date, (ii) the amount that any Bank, as applicable (the "Settling Bank"), shall pay to effect a Settlement (the "Settlement Amount") and (iii) the portion (if any) of the aggregate Settlement Amount to be paid to each Bank. A statement of the Agent submitted to the Banks with respect to any amounts owing under this 2.7(b) shall be prima facie evidence of the amount due and owing. Each Settling Bank shall, as promptly as practical during normal business hours on each Settlement Date, effect a wire transfer of immediately available funds to the Agent in the amount of its Settlement Amount. The Agent shall, as promptly as practicable during normal business hours on each Settlement Date, effect a wire transfer of immediately available funds to each Bank of the Settlement Amount to be paid to such Bank. All funds advanced by any Bank as a Settling Bank pursuant to this 2.7(b) shall for all purposes be treated as a Revolving Credit Loan made by

such Settling Bank to the Borrowers and all funds received by any Bank pursuant to this 2.7(b) shall for all purposes be treated as repayment of amounts owed by the Borrowers with respect to Revolving Credit Loans made by such Bank as of the date received by the Agent. In the event that any bankruptcy, reorganization, liquidation, receivership or similar cases or proceedings in which any of the Borrowers is a debtor prevents a Settling Bank from making any Revolving Credit Loan to effect a Settlement as contemplated hereby, such Settling Bank will make such disposition and arrangements with the other Banks and the Agent with respect to such Revolving Credit Loans, either by way of purchase of participations, distribution, pro tanto assignment of claims, subrogation or otherwise as shall result in each Bank's share of the outstanding Revolving Credit Loans being equal, as nearly as may be, to such Bank's Commitment Percentage of the outstanding amount of the Revolving Credit Loans.

(c) The Agent may (unless notified to the contrary by a Settling Bank by 2:00 p.m. (Boston time) on the Settlement Date) assume that each Settling Bank has made available to the Agent the Settlement Amount with respect to its Revolving Credit Loans, and the Agent may (but shall not be required to), in reliance upon such assumption, make available to the Borrowers the aggregate Settlement Amount. If the Settlement Amount is made available to the Agent (or, conversely, if the Agent makes the Settlement Amount available to a Bank entitled thereto) on a date after the Settlement Date, such Settling Bank shall pay the Agent (or, conversely, the Agent shall pay such Bank entitled to such Settlement Amount) on demand an amount equal to the product of (i) the average computed for the period referred to in clause (iii) below, of the weighted average annual interest rate paid by the Agent or such Bank, as applicable, for federal funds acquired by the Agent or such Bank, as applicable during each day included in such period times (ii) the Settlement Amount, times (iii) a fraction, the numerator of which is the number of days that elapse from and including such Settlement Date to but not including the date on which the Settlement Amount shall become immediately available to the Agent or such Bank, as applicable, and the denominator of which is 365; upon payment of such amount the Settling Bank shall be deemed to have delivered the Settlement Amount of such Settling Bank on the Settlement Date and shall become entitled to interest payable by the Borrowers with respect to such Bank's Settlement Amount as if such share were delivered on the Settlement Date. If the Settlement Amount is not in fact made available to the Agent by the Settling Bank within three (3) Business Days of such Settlement Date, the Agent shall be entitled to debit the Borrowers' accounts to recover such amount from the Borrowers, with interest thereon at the rate per annum applicable to any Loans made on such Settlement Date.

(d) The failure or refusal of any of the Banks to make available to the Agent at the aforesaid time on any date the amount of the Loans to be made by such Bank shall not relieve any other Bank from its obligations hereunder to make Settlements and Loans, on such Drawdown Date or on any subsequent Drawdown Date, but in no event shall any Bank or the Agent be responsible for funding or otherwise be liable for the failure of any other Bank to make the Loans to be made by such other Bank.

2.8. Optional Prepayments or Repayments of Loans. The Borrowers shall have the right, at their election, to repay or prepay the outstanding amount of the Revolving Credit Loans, as a whole or in part, at any time without penalty or premium; provided (i) each partial prepayment shall be in the principal amount of $250,000 or an integral multiple thereof, and (ii) that the full or partial prepayment of the outstanding amount of any Eurodollar Rate Loans pursuant to this 2.8 may be made only on the last day of the Interest Period relating thereto. The Borrowers shall give the Agent, no later than 11:00 a.m. (Boston time) (a) at least one (1) Business Day written notice (or telephonic notice confirmed in writing) of such proposed prepayment or repayment, written notice (or telephonic notice confirmed in writing) of any proposed prepayment or repayment pursuant to this 2.8 of Base Rate Loans and (b) at least three (3) Eurodollar Business Days written notice (or telephonic notice confirmed in writing) of any proposed prepayment or repayment pursuant to this 2.8 of Eurodollar Rate Loans, in each case, specifying the proposed date of prepayment or repayment of Revolving Credit Loans and the principal amount to be paid. Each such partial prepayment shall be applied first to the principal of Base Rate Loans and then to the principal of Eurodollar Rate Loans.

3. LETTERS OF CREDIT.

3.1. Letter of Credit Commitments.

(a) Subject to the terms and conditions hereof and the execution and receipt of a Loan and Letter of Credit Request reflecting the Maximum Drawing Amount of all Letters of Credit (including the requested Letter of Credit) and a Letter of Credit Application, the Agent, on behalf of the Banks and in reliance upon the agreement of the Banks set forth in 3.1(b) and upon the representations and warranties of the Borrowers contained herein, agrees to issue standby letters of credit, in such form as may be requested from time to time by the Borrowers and agreed to by the Agent; provided, however, that, after giving effect to such request, (i) the aggregate Maximum Drawing Amount of all letters of credit issued at any time under this 3.1(a) (the "Letters of Credit") shall not exceed $25,000,000 and (ii) the aggregate Maximum Drawing Amount of all Letters of Credit plus the sum of the outstanding amount of the Revolving Credit Loans shall not exceed the Total Commitment; and provided further that no Letter of Credit shall have an expiration date later than the earlier of (i) one year after the date of issuance of the Letter of Credit, or (ii) thirty (30) days prior to the Revolving Credit Maturity Date.

(b) Each Bank severally agrees that it shall be absolutely liable, without regard to the occurrence of any Default or Event of Default or any other condition precedent whatsoever, to the extent of such Bank's Commitment Percentage thereof, to reimburse the Agent on demand for the amount of each draft paid by the Agent under each Letter of Credit to the extent that such amount is not reimbursed by the Borrowers pursuant to 3.2 (such agreement for a Bank being called herein the "Letter of Credit Participation" of such Bank). The Agent shall not issue any Letter of Credit unless all of the conditions precedent under 11 hereof have been satisfied.

(c) Each such payment made by a Bank shall be treated as the purchase by such Bank of a participating interest in the Borrowers' Reimbursement Obligation under 3.2 in an amount equal to such payment. Each Bank shall share in accordance with its participating interest in any interest which accrues pursuant to 3.2.

3.2. Reimbursement Obligation of the Borrowers. In order to induce the Agent to issue, extend and renew each Letter of Credit and the Banks to participate therein, the Borrowers hereby agree to reimburse or pay to the Agent with respect to each Letter of Credit issued, extended or renewed by the Agent hereunder as follows:

(a) on each date that any draft presented under any Letter of Credit is honored by the Agent or the Agent otherwise makes payment with respect thereto, (i) the amount paid by the Agent under or with respect to such Letter of Credit, and (ii) the amount of any taxes, fees, charges or other costs and expenses whatsoever incurred by the Agent or any Bank in connection with any payment made by the Agent or any Bank under, or with respect to, such Letter of Credit; and

(b) upon the Revolving Credit Maturity Date or the acceleration of the Reimbursement Obligations with respect to all Letters of Credit in accordance with 13, an amount equal to the then Maximum Drawing Amount of all Letters of Credit, which amount shall be held by the Agent for the benefit of the Banks and the Agent as cash collateral for all Reimbursement Obligations.

Each such payment shall be made to the Agent at the Agent's Head Office in immediately available funds. Interest on any and all amounts remaining unpaid by the Borrowers under this 3.2 at any time from the date such amounts become due and payable (whether as stated in this 3.2, by acceleration or otherwise) until payment in full (whether before or after judgment) shall be payable to the Agent on demand at the rate specified in 5.7 for overdue amounts.

3.3. Letter of Credit Payments. If any draft shall be presented or other demand for payment shall be made under any Letter of Credit, the Agent shall notify the Borrowers of the date and amount of the draft presented or demand for payment and of the date and time when it expects to pay such draft or honor such demand for payment. On the date that such draft is paid or other payment is made by the Agent, the Agent shall promptly notify the Banks of the amount of any

unpaid Reimbursement Obligation. All such unpaid Reimbursement Obligations with respect to Letters of Credit shall, provided that no Event of Default under 13(g) or 13(h) has occurred, become automatically a Revolving Credit Loan. No later than 3:00 p.m. (Boston time) on the Business Day next following the receipt of such notice, each Bank shall make available to the Agent, at the Agent's Head Office, in immediately available funds, such Bank's Commitment Percentage of such unpaid Reimbursement Obligation, together with an amount equal to the product of (a) the average, computed for the period referred to in clause (c) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period, times (b) the amount equal to such Bank's Commitment Percentage of such unpaid Reimbursement Obligation, times (c) a fraction, the numerator of which is the number of days that have elapsed from and including the date the Agent paid the draft presented for honor or otherwise made payment until the date on which such Bank's Commitment Percentage of such unpaid Reimbursement Obligation shall become immediately available to the Agent, and the denominator of which is 365. The responsibility of the Agent to the Borrowers and the Banks shall be only to determine that the documents (including each draft) delivered under each Letter of Credit in connection with such presentment shall be in conformity in all material respects with such Letter of Credit.

3.4. Obligations Absolute. The Borrowers' obligations under this 3 shall be absolute and unconditional under any and all circumstances and irrespective of the occurrence of any Default or Event of Default or any condition precedent whatsoever or any setoff, counterclaim or defense to payment which the Borrowers may have or have had against the Agent, any Bank or any beneficiary of a Letter of Credit. Subject to the obligations of the Banks pursuant to Article V of the Uniform Commercial Code, the Borrowers further agree with the Agent and the Banks that the Agent and the Banks shall not be responsible for, and the Borrowers' Reimbursement Obligations under 3.2 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrowers, the beneficiary of any Letter of Credit or any financing institution or other party to which any Letter of Credit may be transferred or any claims or defenses whatsoever of the Borrowers against the beneficiary of any Letter of Credit or any such transferee. The Agent and the Banks shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit. The Borrowers agree that any action taken or omitted by the Agent or any Bank under or in connection with each Letter of Credit and the related drafts and documents, if done in good faith, shall be binding upon the Borrowers and shall not result in any liability on the part of the Agent or any Bank to the Borrowers.

3.5. Reliance by Agent. To the extent not inconsistent with 3.4, the Agent shall be entitled to rely, and shall be fully protected in relying upon, any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent.

4. INTENTIONALLY OMITTED.

5. INTEREST, FEES, PAYMENTS, AND COMPUTATIONS; JOINT AND SEVERAL LIABILITY.

5.1. Interest. Except as otherwise provided in 5.7, the outstanding principal amount of the Loans shall bear interest at the rate per annum equal to the Applicable Rate. Interest shall be payable (a) quarterly in arrears on the last Business Day of each calendar quarter for the quarter ending on such date, for Base Rate Loans, (b) on the earlier of (i) the last day of the applicable Interest Period or (ii) ninety (90) days after the Drawdown Date, on Eurodollar Rate Loans, and (c) on the Revolving Credit Maturity Date. Any change in the interest rate resulting from a change in the Base Rate is to be effective at the beginning of the day of such change in the Base Rate.

5.2. Fees.

(a) Commitment Fee. The Borrowers agree to pay to the Agent for the benefit of the Banks a commitment fee in an amount equal to the Commitment Fee Percentage of the unused portion of the Total Commitment during each calendar quarter or portion thereof from the Closing Date to the Revolving Credit Maturity Date (or to the date of termination in full of the Total Commitment, if earlier). This commitment fee shall be payable quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter, with a final payment on the Revolving Credit Maturity Date. The Agent agrees to pay to the Banks the commitment fee received under this 5.2(a) pro-rata in accordance with their respective Commitment Percentages.

(b) Letter of Credit Fee. The Borrowers shall, upon the issuance, extension or renewal of any Letter of Credit, pay a fee (the "Letter of Credit Fee") to the Agent equal to (i) the product of (A) the Letter of Credit Percentage multiplied by (B) the Maximum Drawing Amount of each Letter of Credit, plus (ii) the Agent's customary issuance fee, payable in accordance with the Agent's customary practice. That portion of the Letter of Credit Fee equal to one eighth of one percent (1/8%) per annum of the Maximum Drawing Amount of each Letter of Credit shall be paid solely to the Agent, and the balance (other than the issuance fee) shall be shared pro-rata by each of the Banks in accordance with their respective Commitment Percentages. The Letter of Credit Fee shall be payable quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter, with a final payment on the expiration date of each Letter of Credit.

(c) The Borrowers shall pay to the Agent an agent's fee and an underwriting fee as set forth in a separate letter agreement between the Borrowers and the Agent.

5.3. Payments.

(a) All payments of principal, interest, Reimbursement Obligations, fees and any other amounts due hereunder or under any of the other Loan Documents shall be made to the Agent, for the respective accounts of the Banks and the Agent, received at the Agent's Head Office in immediately available funds by 12:00 p.m. (Boston time) on any due date.

(b) All payments by the Borrowers hereunder and under any of the other Loan Documents shall be made without setoff or counterclaim and free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions, withholdings, compulsory loans, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein unless the Borrowers are compelled by law to make such deduction or withholding. If any such obligation is imposed upon the Borrowers with respect to any amount payable by them hereunder or under any of the other Loan Documents, the Borrowers will pay to the Agent, for the account of the Banks or (as the case may be) the Agent, on the date on which such amount is due and payable hereunder or under such other Loan Document, such additional amount in Dollars as shall be necessary to enable the Banks or the Agent to receive the same net amount which the Banks or the Agent would have received on such due date had no such obligation been imposed upon the Borrowers. In the event that the Borrowers are required to make such deduction or withholding as a result of the fact that a Bank is organized outside of the United States, such Bank shall use its reasonable best efforts to transfer its Loans to an affiliate organized within the United States if such transfer would have no adverse effect on such Bank or the Loans. The Borrowers will deliver promptly to the Bank certificates or other valid vouchers for all taxes or other charges deducted from or paid with respect to payments made by the Borrowers hereunder or under such other Loan Document.

5.4. Computations. All computations of interest on the Loans and of Letter of Credit Fees or other fees shall, unless otherwise expressly provided herein, be based on a 360-day year and paid for the actual number of days elapsed. Except as otherwise provided in the definition of the term "Interest Period" with respect to Eurodollar Rate Loans, whenever a payment hereunder or under any of the other Loan Documents becomes due on a day that is not a Business Day, the due date for such payment shall be extended to the next succeeding Business Day, and interest shall accrue during such extension.

5.5. Capital Adequacy. If any present or future law, governmental rule,

regulation, policy, guideline or directive (whether or not having the force of law) or the interpretation thereof by a court or governmental authority with appropriate jurisdiction affects the amount of capital required or expected to be maintained by any Bank or the Agent or any corporation controlling such Bank or the Agent and such Bank or the Agent determines that the amount of capital required to be maintained by it is increased by or based upon the existence of such Bank's or the Agent's Loans, Letter of Credit Participations or Letters of Credit, or commitment with respect thereto, then such Bank or the Agent may notify the Borrowers of such fact. To the extent that the costs of such increased capital requirements are not reflected in the Base Rate (if relating to Base Rate Loans), the Borrowers and such Bank or (as the case may be) the Agent shall thereafter attempt to negotiate in good faith, within thirty (30) days of the day on which the Borrowers receive such notice, an adjustment payable hereunder that will adequately compensate such Bank or the Agent in light of these circumstances. If the Borrowers and such Bank or the Agent are unable to agree to such adjustment within thirty (30) days of the date on which the Borrowers receive such notice, then commencing on the date of such notice (but not earlier than the effective date of any such increased capital requirement), the fees payable hereunder shall increase by an amount that will, in such Bank's or the Agent's reasonable determination, provide adequate compensation. Each Bank and the Agent shall allocate such cost increases among its customers in good faith and on an equitable basis.

5.6. Certificate. A certificate setting forth any additional amounts payable pursuant to 5.5 and a reasonable explanation of such amounts which are due, submitted by any Bank or the Agent to the Borrowers, shall be conclusive, absent manifest error, that such amounts are due and owing.

5.7. Interest on Overdue Amounts. Overdue principal and (to the extent permitted by applicable law) interest on the Loans and all other overdue amounts payable hereunder or under any of the other Loan Documents shall bear interest compounded monthly and payable on demand at a rate per annum equal to the Base Rate plus two percentage points (2.00%) until such amount shall be paid in full (after as well as before judgment).

5.8. Interest Limitation. Notwithstanding any other term of this Agreement or any Note or any other document referred to herein or therein, the maximum amount of interest which may be charged to or collected from any person liable hereunder or under any Note by any Bank shall be absolutely limited to, and shall in no event exceed, the maximum amount of interest which could lawfully be charged or collected under applicable law (including, to the extent applicable, the provisions of Section 5197 of the Revised Statutes of the United States of America, as amended, 12 U.S.C. Section 85, as amended), so that the maximum of all amounts constituting interest under applicable law, howsoever computed, shall never exceed as to any person liable therefor such lawful maximum, and any term of this Agreement, the Notes, the Letter of Credit Applications, or any other document referred to herein or therein which could be construed as providing for interest in excess of such lawful maximum shall be and hereby is made expressly subject to and modified by the provisions of this paragraph.

5.9. Additional Costs, Etc. If any present or future applicable law, which expression, as used herein, includes statutes, rules and regulations thereunder and interpretations thereof by any competent court or by any governmental or other regulatory body or official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time hereafter made upon or otherwise issued to any Bank by any central bank or other fiscal, monetary or other authority (whether or not having the force of law), shall impose on any Bank any tax, levy, impost, duty, charge fees, deduction or withholdings of any nature or requirements with respect to this Agreement, the other Loan Documents, the Loans, such Bank's Commitment, the Letters of Credit or any class of loans or commitments or letters of credit of which any of the Loans, the Commitment or the Letters of Credit forms a part, and the result of any of the foregoing is:

(i) to increase the cost to such Bank of making, funding, issuing, renewing, extending or maintaining the Loans, such Bank's Commitment, or the Letters of Credit; or

(ii) to reduce the amount of principal, interest or other amount payable to such Bank hereunder on account of such Bank's Commitment, the Loans, drawings under the Letters of Credit, or

(iii) to require such Bank to make any payment or to forego any interest or other sum payable hereunder, the amount of which payment or foregone interest or other sum is calculated by reference to the gross amount of any sum receivable or deemed received by such Bank from the Borrowers hereunder,

then, and in each such case, the Borrowers will, upon demand made by such Bank at any time and from time to time and as often as the occasion therefor may arise, pay to such Bank such additional amounts as will be sufficient to compensate such Bank for such additional cost, reduction, payment or foregone interest or other sum (after such Bank shall have allocated the same fairly and equitably among all customers of any class generally affected thereby).

5.10. Concerning Joint and Several Liability of the Borrowers.

(a) Each of the Borrowers is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Banks under this Agreement, for the mutual benefit, directly and indirectly, of each of the Borrowers and in consideration of the undertakings of each other Borrower to accept joint and several liability for the Obligations.

(b) Each of the Borrowers, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Borrowers, with respect to the payment and performance of all of the Obligations (including, without limitation, any Obligations arising under this 5.10), it being the intention of the parties hereto that all the Obligations shall be the joint and several Obligations of each of the Borrowers without preferences or distinction among them.

(c) If and to the extent that any of the Borrowers shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then in each such event the other Borrowers will make such payment with respect to, or perform, such Obligation.

(d) The Obligations of each of the Borrowers under the provisions of this 5.10 constitute full recourse Obligations of each of the Borrowers enforceable against each such corporation to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or any other circumstance whatsoever.

(e) Except as otherwise expressly provided in this Agreement, each of the Borrowers hereby waives notice of acceptance of its joint and several liability, notice of any Loans made under this Agreement, notice of any action at any time taken or omitted by the Banks under or in respect of any of the Obligations, and, generally, to the extent permitted by applicable law, all demands, notices and other formalities of every kind in connection with this Agreement. Each of the Borrowers hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Obligations, the acceptance of any payment of any of the Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Banks at any time or times in respect of any default by any of the Borrowers in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever by the Banks in respect of any of the Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Obligations or the addition, substitution or release, in whole or in part, of any of the Borrowers. Without limiting the generality of the foregoing, each of the Borrowers assents to any other action or delay in acting or failure to act on the part of the Banks with respect to the failure by any of the Borrowers to comply with any of its respective Obligations, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this 5.10, afford grounds for terminating, discharging or relieving any of the Borrowers, in whole or in part, from any of its Obligations under this 5.10, it being the intention of each of the Borrowers that, so long as any of the Obligations hereunder remain unsatisfied, the Obligations of such Borrowers under this 5.10 shall not be

discharged except by performance and then only to the extent of such performance. The Obligations of each of the Borrowers under this 5.10 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, re-construction or similar proceeding with respect to any of the Borrowers or the Banks. The joint and several liability of the Borrowers hereunder shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, membership, constitution or place of formation of any of the Borrowers or the Banks.

(f) The provisions of this 5.10 are made for the benefit of the Banks and their successors and assigns, and may be enforced in good faith against them from time to time against any or all of the Borrowers as often as occasion therefor may arise and without requirement on the part of the Banks first to marshal any of their claims or to exercise any of their rights against any other Borrower or to exhaust any remedies available to them against any other Borrower or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this 5.10 shall remain in effect until all of the Obligations shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by the Banks upon the insolvency, bankruptcy or reorganization of any of the Borrowers, or otherwise, the provisions of this 5.10 will forthwith be reinstated in effect, as though such payment had not been made.

5.11. New Borrowers. Any newly-created or newly-acquired Subsidiaries shall become Borrowers hereunder by signing Notes, entering into an amendment to this Agreement with the other parties hereto providing that such Subsidiary shall become a Borrower hereunder, and providing such other documentation as the Banks or the Agent may reasonably request including, without limitation, documentation with respect to conditions noted in 10 hereof. In such event, the Agent is hereby authorized by the parties to amend Schedule 1 hereto to include such Subsidiary as a Borrower hereunder.

5.12. Election of Eurodollar Rate; Notice of Election; Interest Periods; Minimum Amounts.

(a) At the Borrowers' option, so long as no Default or Event of Default has occurred and is then continuing, the Borrowers may (i) elect to convert any Base Rate Loan or a portion thereof to a Eurodollar Rate Loan, (ii) at the time of any Loan and Letter of Credit Request, specify that such requested Revolving Credit Loan shall be a Eurodollar Rate Loan, or (iii) upon expiration of the applicable Interest Period, elect to maintain an existing Eurodollar Rate Loan as such, provided that the Borrowers gives notice to the Agent pursuant to 5.12(b) hereof. Upon determining any Eurodollar Rate, the Agent shall forthwith provide notice thereof to the Borrowers and each Bank, and each such notice to the Borrowers shall be considered prima facie correct and binding, absent manifest error.

(b) Three (3) Eurodollar Business Days prior to the making of any Eurodollar Rate Loan or the conversion of any Base Rate Loan to a Eurodollar Rate Loan, or, in the case of an outstanding Eurodollar Rate Loan, the expiration date of the applicable Interest Period, the Borrowers shall give written, telex or telecopy notice received by the Agent not later than 11:00 a.m. (Boston time) of its election pursuant to 5.12(a). Each such notice delivered to the Agent shall specify the aggregate principal amount of the Loans to be borrowed or maintained as or converted to Eurodollar Rate Loans and the requested duration of the Interest Period that will be applicable to such Eurodollar Rate Loan, and shall be irrevocable and binding upon the Borrower. If the Borrowers shall fail to give the Agent notice of its election hereunder together with all of the other information required by this 5.12(b) with respect to any Loan, whether at the end of an Interest Period or otherwise, such Loan shall be deemed a Base Rate Loan, and, if such Loan is an existing Eurodollar Rate Loan, shall be automatically converted to a Base Rate Loan on the last day of the Interest Period relating thereto. No Eurodollar Rate Loan may be continued as such when any Default or Event of Default has occurred and is continuing, but shall be automatically converted to a Base Rate Loan on the last day of the Interest Period relating thereto. The Agent shall promptly notify each Bank in writing (or by telephone confirmed in writing or by

telecopy) of such election by the Borrower hereunder.

(c) Notwithstanding anything herein to the contrary, the Borrowers may not specify an Interest Period that would extend beyond the maturity date of any Loan.

(d) All Eurodollar Rate Loans shall be in a minimum amount of not less than $1,000,000. In no event shall the Borrowers have more than five (5) different maturities of borrowings of Eurodollar Rate Loans outstanding at any time.

5.13. Eurodollar Indemnity. The Borrowers agree to indemnify the Banks and the Agent and to hold them harmless from and against any reasonable loss, cost or expense that the Banks and the Agent may sustain or incur as a consequence of (a) default by the Borrowers in payment of the principal amount of or any interest on any Eurodollar Rate Loans as and when due and payable, including any such loss or expense arising from interest or fees payable by any Bank or the Agent to lenders of funds obtained by it in order to maintain its Eurodollar Rate Loans, (b) default by the Borrowers in making a borrowing or conversion after the Borrowers have given (or are deemed to have given) notice pursuant to 2.6 or 5.12, and (c) the making of any payment of a Eurodollar Rate Loan or the making of any conversion of any such Eurodollar Rate Loan to a Base Rate Loan on a day that is not the last day of the applicable Interest Period with respect thereto, including interest or fees payable by such Bank to lenders of funds obtained by it in order to maintain any such Loans.

5.14. Illegality; Inability to Determine Eurodollar Rate. Notwithstanding any other provision of this Agreement (other than 5.8) if, (a) the introduction of, any change in, or any change in the interpretation of, any law, regulation, treaty or directive applicable to any Bank or the Agent shall make it unlawful, or any central bank or other governmental authority having jurisdiction thereof shall assert that it is unlawful, for any Bank or the Agent to perform its obligations in respect of any Eurodollar Rate Loans, or (b) if the Agent shall reasonably determine or be notified by the Required Banks that (i) by reason of circumstances affecting any Eurodollar interbank market, adequate and reasonable methods do not exist for ascertaining the Eurodollar Rate which would otherwise be applicable during any Interest Period, or (ii) deposits of Dollars in the relevant amount for the relevant Interest Period are not available in any Eurodollar interbank market, or (iii) the Eurodollar Rate does not or will not accurately reflect the cost of obtaining or maintaining the applicable Eurodollar Rate Loans during any Interest Period, then the Agent shall promptly give telephonic, telex or cable notice of such determination to the Borrowers and the Banks (which notice shall be conclusive and binding upon the Borrower and the Banks). Upon such notification by the Agent, the obligation of the Banks and the Agent to make Eurodollar Rate Loans or convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until the Agent or the Required Banks, as the case may be, determine that such circumstances no longer exist, and to the extent permitted by law the outstanding Eurodollar Rate Loans shall continue to bear interest at the applicable rate based on the Eurodollar Rate until the end of the applicable Interest Period, and shall be automatically converted to Base Rate Loans in equal principal amounts on the last day of each Interest Period applicable to such Eurodollar Rate Loans, or within such earlier period as may be required by applicable law.

6. REPRESENTATIONS AND WARRANTIES. The Borrowers jointly and severally represent and warrant to the Banks that on and as of the date of this Agreement (any disclosure on a schedule pursuant to this 6 shall be deemed to apply to all relevant representations and warranties, regardless of whether such schedule is referenced in each relevant representation):

6.1. Corporate Authority.

(a) Incorporation; Good Standing. Each of the Borrowers (i) is a corporation duly organized, validly existing and in good standing or in current status under the laws of its respective state of incorporation, (ii) has all requisite corporate power to own its property and conduct its business as now conducted and as presently contemplated, and (iii) is in good standing as a foreign corporation and is duly authorized to do business in each jurisdiction in which its property or business as presently conducted or contemplated makes such qualification necessary except where a failure to be so qualified would not have a material adverse effect on the business, assets or financial condition of such Borrower.

(b) Authorization. The execution, delivery and performance of its Loan Documents and the transactions contemplated hereby and thereby (i) are within the corporate authority of each of the Borrowers, (ii) have been duly authorized by all necessary corporate proceedings, (iii) do not conflict with or result in any material breach or contravention of any provision of law, statute, rule or regulation to which any of the Borrowers is subject or any judgment, order, writ, injunction, license or permit applicable to any of the Borrowers so as to materially adversely affect the assets, business or any activity of the Borrowers, and (iv) do not conflict with any provision of the corporate charter or bylaws of the Borrowers or any agreement or other instrument binding upon the Borrowers.

(c) Enforceability. The execution, delivery and performance of the Loan Documents will result in valid and legally binding obligations of the Borrowers enforceable against each in accordance with the respective terms and provisions hereof and thereof, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that availability of the remedy of specific performance or injunctive relief or other equitable remedy is subject to the discretion of the court before which any proceeding therefor may be brought.

6.2. Governmental Approvals. The execution, delivery and performance by the Borrowers of the Loan Documents and the transactions contemplated hereby and thereby do not require any approval or consent of, or filing with, any governmental agency or authority other than those already obtained.

6.3. Title to Properties; Leases. The Borrowers own all of the assets reflected in the consolidated balance sheets as at the Balance Sheet Date or acquired since that date (except property and assets sold or otherwise disposed of in the ordinary course of business since that date), subject to no mortgages, capitalized leases, conditional sales agreements, title retention agreements, liens or other encumbrances except Permitted Liens. Schedule 6.3 sets forth a list of all of the Real Property of the Borrowers.

6.4. Financial Statements; Solvency.

(a) There has been furnished to the Banks (i) consolidated balance sheets of the Borrowers dated the Balance Sheet Date and consolidated statements of operations for the fiscal year then ended, certified by Arthur Andersen & Co. or an independent accounting firm of national standing acceptable to the Banks (the "Accountants") and (ii) unaudited consolidated balance sheets of the Borrowers dated October 31, 1997 and unaudited consolidated statements of operations for the six (6) month period then ended. Said balance sheets and statements of operations have been prepared in accordance with GAAP, fairly present in all material respects the financial condition of the Borrowers, on a consolidated basis, as at the close of business on the date thereof and the results of operations for the period then ended. There are no contingent liabilities of the Borrowers as of such date involving material amounts, known to the officers of the Borrowers which have not been disclosed in said balance sheets and the related notes thereto, as the case may be.

(b) The Borrowers (both before and after giving effect to the transactions contemplated by this Agreement) are solvent (i.e., they have assets having a fair value in excess of the amount required to pay their probable liabilities on their existing debts as they become absolute and matured) and have, and expect to have, the ability to pay their debts from time to time incurred in connection therewith as such debts mature.

6.5. No Material Changes, Etc. Since the Balance Sheet Date, there have occurred no material adverse changes in the financial condition or business of the Borrowers as shown on or reflected in the consolidated balance sheet of the Borrowers as at the Balance Sheet Date, or the consolidated statement of income for the fiscal year then ended other than changes in the ordinary course of business which have not had any material adverse effect either individually or in the aggregate on the business or financial condition of the Parent, the Borrowers. Since the Balance Sheet Date, there has not been any Distribution.

6.6. Permits, Franchises, Patents, Copyrights, Etc. Each of the Borrowers

possesses all franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business substantially as now conducted without known conflict with any rights of others.

6.7. Litigation. Except as shown on Schedules 6.7 and 6.16 hereto, there are no actions, suits, proceedings or investigations of any kind pending or, to the knowledge of the Borrowers, threatened against any Borrower before any court, tribunal or administrative agency or board which, if adversely determined, might, either in any case or in the aggregate, materially adversely affect the properties, assets, financial condition or business of the Borrowers, considered as a whole, or materially impair the right of the Borrowers, considered as a whole, to carry on business substantially as now conducted, or result in any substantial liability not adequately covered by insurance, or for which adequate reserves are not maintained on the consolidated balance sheet or which question the validity of any of the Loan Documents, or any action taken or to be taken pursuant hereto or thereto.

6.8. No Materially Adverse Contracts, Etc. None of the Borrowers is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Borrowers' officers has or is expected in the future to have a materially adverse effect on the business, assets or financial condition of the Borrowers as a whole. None of the Borrowers is a party to any contract or agreement which in the judgment of the Borrowers' officers has or is expected to have any materially adverse effect on the business of the Borrowers as a whole, except as otherwise reflected in adequate reserves.

6.9. Compliance With Other Instruments, Laws, Etc. None of the Borrowers is violating any provision of its charter documents or by-laws or any agreement or instrument by which any of them may be subject or by which any of them or any of their properties may be bound or any decree, order, judgment, or any statute, license, rule or regulation, in a manner which could result in the imposition of substantial penalties or materially and adversely affect the financial condition, properties or business of any of the Borrowers.

6.10. Tax Status. The Borrowers have made or filed all federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which any of them are subject (unless and only to the extent that any Borrower has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes); and have paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith; and have set aside on their books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Borrowers know of no basis for any such claim.

6.11. No Event of Default. Except as set forth on Schedule 6.11 hereto, no Default or Event of Default has occurred and is continuing as of the date of this Agreement.

6.12. Holding Company and Investment Company Acts. None of the Borrowers is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935; nor is any of them a "registered investment company", or an "affiliated company" or a "principal underwriter" of a "registered investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

6.13. Absence of Financing Statements, Etc. Except as contemplated by 8.2 of this Agreement and as set forth on Schedule 6.13 hereto, there is no financing statement, security agreement, chattel mortgage, real estate mortgage or other document filed or recorded with any filing records, registry, or other public office, which purports to cover, affect or give notice of any present or possible future lien on, or security interest in, any assets or property of any of the Borrowers or rights thereunder.

6.14. Employee Benefit Plans.

(a) In General. Each Employee Benefit Plan has been maintained and operated in compliance in all material respects with the provisions of ERISA and, to the extent applicable, the Code, including but not limited to the provisions thereunder respecting prohibited transactions.

(b) Terminability of Welfare Plans. Under each Employee Benefit Plan which is an employee welfare benefit plan within the meaning of 3(1) or 3(2)(B) of ERISA, no benefits are due unless the event giving rise to the benefit entitlement occurs prior to plan termination (except as required by Title I, part 6 of ERISA.) Each Borrower or ERISA Affiliate, as appropriate, may terminate each such Plan at any time (or at any time subsequent to the expiration of any applicable bargaining agreement) in the discretion of such Borrower or ERISA Affiliate without liability to any Person.

(c) Guaranteed Pension Plans. None of the Borrowers is a sponsor of, or contributor to, a Guaranteed Pension Plan.

(d) Multiemployer Plans. No Borrower, nor any ERISA Affiliate has incurred any material liability (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under 4201 of ERISA or as a result of a sale of assets described in 4204 of ERISA. No Borrower, nor any ERISA Affiliate has been notified that any Multiemployer Plan is in reorganization or is insolvent under and within the meaning of 4241 or 4245 of ERISA or that any Multiemployer Plan intends to terminate or has been terminated under 4041A of ERISA.

6.15. Use of Proceeds. The proceeds of the Revolving Credit Loans shall be used solely for working capital and other general corporate purposes, Letters of Credit, to refinance other indebtedness of the Borrowers, and to fund acquisitions permitted pursuant to 8.4 hereof. No proceeds of the Loans shall be used in any way that will violate Regulations G, T, U or X of the Board of Governors of the Federal Reserve System.

6.16. Environmental Compliance. The Borrowers have taken all necessary steps to investigate the past and present condition and usage of the Real Properties and the operations conducted thereon and, based upon such diligent investigation, have determined that, except as shown on Schedule 6.16:

(a) None of the Borrowers, nor any operator of their properties, is in violation, or alleged violation, of any judgment, decree, order, law, permit, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, or any state or local statute, regulation, ordinance, order or decree relating to health, safety or the environment (the "Environmental Laws"), which violation would have a material adverse effect on the business, assets or financial condition of the Borrowers on a consolidated basis.

(b) None of the Borrowers has received notice from any third party including, without limitation: any federal, state or local governmental authority, (i) that any one of them has been identified by the United States Environmental Protection Agency ("EPA") as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B; (ii) that any hazardous waste, as defined by 42 U.S.C. 6903(5), any hazardous substances as defined by 42 U.S.C. 9601(14), any pollutant or contaminant as defined by 42 U.S.C. 9601(33) and any toxic substance, oil or hazardous materials or other chemicals or substances regulated by any Environmental Laws ("Hazardous Substances") which any one of them has generated, transported or disposed of has been found at any site at which a federal, state or local agency or other third party has conducted or has ordered that any Borrower conduct a remedial investigation, removal or other response action pursuant to any Environmental Law; or (iii) that it is or shall be a named party to any claim, action, cause of action, complaint, legal or administrative proceeding arising out of any third party's incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with the release of

Hazardous Substances.

(c) (i) No portion of the Real Property has been used for the handling, processing, storage or disposal of Hazardous Substances except in material compliance with applicable Environmental Laws; and no underground tank or other underground storage receptacle for Hazardous Substances is located on such properties; (ii) in the course of any activities conducted by the Borrowers, or operators of the Real Property, no Hazardous Substances have been generated or are being used on such properties except in material compliance with applicable Environmental Laws; (iii) there have been no unpermitted Releases or threatened Releases of Hazardous Substances on, upon, into or from the Real Property, which Releases would have a material adverse effect on the value of such properties; (iv) to the best of the Borrowers' knowledge, there have been no Releases on, upon, from or into any real property in the vicinity of the Real Property which, through soil or groundwater contamination, may have come to be located on, and which would have a material adverse effect on the value of, such properties; and (v) in addition, any Hazardous Substances that have been generated on the Real Property have been transported offsite only by carriers having an identification number issued by the EPA, treated or disposed of only by treatment or disposal facilities maintaining valid permits as required under applicable Environmental Laws, which transporters and facilities, to the best of the Borrowers' knowledge, have been and are operating in material compliance with such permits and applicable Environmental Laws.

(d) none of the Real Property is or shall be subject to any applicable environmental clean-up responsibility law or environmental restrictive transfer law or regulation, by virtue of the transactions set forth herein and contemplated hereby.

6.17. Perfection of Security Interests. All filings, assignments, pledges and deposits of documents or instruments have been made and all other actions have been taken that are necessary under applicable law, or reasonably requested by the Agent or any of the Banks, to establish and perfect the Agent's security interests in the Collateral as described in the Security Documents (including the notation of the Agent's security interests in motor vehicles on the certificates of title relating to such vehicles). The Collateral and the Agent's rights with respect to the Collateral are not subject to any setoff, claims, withholdings or other defenses, except for Permitted Liens. The Borrowers are the owners of the Collateral free from any lien, security interest, encumbrance and any other claim or demand, except for Permitted Liens.

6.18. Certain Transactions. Except as set forth on Schedule 6.18 and except for arm's length transactions pursuant to which the Borrowers make payments in the ordinary course of business upon terms no less favorable than the Borrowers could obtain from third parties, none of the officers, directors, or employees of the Borrowers are presently a party to any transaction with the Borrowers (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Borrowers, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

6.19. Subsidiaries. Schedule 6.19 sets forth a complete and accurate list of the Subsidiaries, including the name of each Subsidiary and its jurisdiction of incorporation, together with the number of authorized and outstanding shares of each Subsidiary. Each Subsidiary is directly or indirectly wholly owned by the Parent. The Parent has good and marketable title to all of the shares it purports to own of the stock of each Subsidiary, free and clear in each case of any lien. All such shares have been duly issued and are fully paid and non-assessable.

6.20. Capitalization.

(a) Capital Stock. As of the Closing Date, the authorized capital stock of the Parent consists of (i) 30,000,000 shares of Class A Common stock (par value $.01 per share) of which 9,778,745 shares are outstanding, (ii) 1,000,000 shares of Class B Common Stock (par value $.01 per share) of which 1,000,000 shares are outstanding, and (iii) 1,000,000 shares of

Preferred Stock (par value $.01 per share) of which no shares are outstanding. All such outstanding shares have been duly issued and are full paid and non-assessable.

(b) Options, Etc. Except as set forth on Schedule 6.20(b), no Person has outstanding any rights (either pre-emptive or other) or options (except for the options for common stock issued to management employees, in accordance with a bona fide option plan approved by the Board of Directors of the Parent) to subscribe for or purchase from the Parent, or any warrants or other agreements providing for or requiring the issuance by the Parent of, any capital stock or any securities convertible into or exchangeable for its capital stock.

6.21. True Copies of Charter and Other Documents. The Borrowers have furnished the Agent copies, in each case true and complete as of the Closing Date, of (a) all charter and other incorporation documents (together with any amendments thereto) and (b) by-laws (together with any amendments thereto).

6.22. Disclosure. No representation or warranty made by the Borrowers in this Agreement or in any agreement, instrument, document, certificate, statement or letter furnished to the Banks or the Agent by or on behalf of or at the request of the Borrowers in connection with any of the transactions contemplated by the Loan Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made.

6.23. Deposit Accounts. Other than the accounts maintained at the Agent's Head Office (the "Depository Accounts"), the Borrowers maintain the deposit accounts listed on Schedule 6.23 hereto and no other deposit accounts, unless approved in writing by the Agent. The aggregate amount of collected funds held in each such deposit account at the close of any Business Day shall not exceed the amount specified for such account on Schedule 6.23; any amounts in excess of the amounts specified in Schedule 6.23 shall be immediately transferred to the Depository Accounts.

6.24. Year 2000 Problem. The Borrowers have reviewed the areas within their business and operations which could be adversely affected by, and have developed or are developing a program to address on a timely basis, the Year 2000 Problem. Based on such review and program, the Year 2000 Problem will not have a material adverse effect on their business and operations.

7. AFFIRMATIVE COVENANTS OF THE BORROWERS. The Borrowers jointly and severally covenant and agree that, so long as any Loan or Note is outstanding or the Banks have any obligation to make Loans or the Agent has any obligation to issue, extend, or renew any Letters of Credit hereunder:

7.1. Punctual Payment. The Borrowers will duly and punctually pay or cause to be paid the principal and interest on the Loans, all Reimbursement Obligations, fees and other amounts provided for in this Agreement and the other Loan Documents, all in accordance with the terms of this Agreement and such other Loan Documents.

7.2. Maintenance of Office. The Borrowers will maintain their chief executive offices at the locations set forth on Schedule 1 attached hereto, or at such other place in the United States of America as each Borrower shall designate upon 30 days prior written notice to the Agent.

7.3. Records and Accounts. Each of the Borrowers will keep true and accurate records and books of account in which full, true and correct entries will be made in accordance with GAAP and with the requirements of all regulatory authorities and maintain adequate accounts and reserves for all taxes (including income taxes), depreciation, depletion, obsolescence and amortization of its properties, all other contingencies, and all other proper reserves.

7.4. Financial Statements, Certificates and Information. The Borrowers will deliver to the Banks:

(a) as soon as practicable, but, in any event not later than 90 days after the end of each fiscal year of the Borrowers, the consolidated and consolidating balance sheets of Borrowers as at the end of such year, statements of cash flows, and the related consolidated and consolidating statements of operations, each setting forth in comparative form the

figures for the previous fiscal year, all such consolidated and consolidating financial statements to be in reasonable detail, prepared, in accordance with GAAP and, with respect to the consolidated financial statements, Certified by the Accountants. In addition, simultaneously therewith, the Borrowers shall use their best efforts to provide the Banks with a written statement from such Accountants to the effect that the Borrowers are in compliance with the covenants set forth in 9 hereof, and that, in making the examination necessary to said certification, nothing has come to the attention of such Accountants that would indicate that any Default or Event of Default exists, or, if such accountants shall have obtained knowledge of any then existing Default or Event of Default they shall disclose in such statement any such Default or Event of Default; provided, that such Accountants shall not be liable to the Banks for failure to obtain knowledge of any Default or Event of Default;

(b) as soon as practicable, but in any event not later than 45 days after the end of each fiscal quarter of the Borrowers, copies of the consolidated and consolidating balance sheets and statement of operations of the Borrowers as at the end of such quarter including profit and loss statements by division, subject to year end adjustments, and the related statement of cash flows, all in reasonable detail and prepared in accordance with GAAP with a certification by the principal financial or accounting officer of the Borrowers (the "CFO") that the consolidated financial statements were prepared in accordance with GAAP and fairly present the consolidated financial condition of the Borrowers as at the close of business on the date thereof and the results of operations for the period then ended;

(c) simultaneously with the delivery of the financial statements referred to in (a) and (b) above, a statement in the form of Exhibit D hereto (the "Compliance Certificate") certified by the CFO that the Borrowers are in compliance with the covenants contained in 7, 8 and 9 hereof as of the end of the applicable period setting forth in reasonable detail computations evidencing such compliance, provided that if the Borrowers shall at the time of issuance of such certificate or at any other time obtain knowledge of any Default or Event of Default, the Borrowers shall include in such certificate or otherwise deliver forthwith to the Banks a certificate specifying the nature and period of existence thereof and what action the Borrowers propose to take with respect thereto and a certificate of the Borrowers' Chief Operating Officer in the form attached hereto as Exhibit E with respect to environmental matters;

(d) [intentionally omitted];

(e) contemporaneously with, or promptly following, the filing or mailing thereof, copies of all material of a financial nature filed with the Securities and Exchange Commission or sent to the stockholders of the Parent or any of the Borrowers;

(f) as soon as practicable, but in any event not later than 15 days after the end of each fiscal quarter, copies of the Borrower's profit and loss statements by division, subject to year end adjustments, and the related statements of cash flows, all in reasonable detail and prepared in accordance with GAAP;

(g) as soon as practicable, but in any event not later than fifteen (15) days prior to the commencement of the next fiscal year of the Borrowers, a copy of the annual budget for such fiscal year; and

(h) from time to time such other financial data and other information (including accountants' management letters) as the Banks may reasonably request;

The Borrowers hereby authorize the Banks to disclose any information obtained pursuant to this Agreement to all appropriate governmental regulatory authorities where required by law; provided, however, that the Banks shall, to the extent practicable and allowable under law, notify the Borrowers within a reasonable period prior to the time any such disclosure is made; and provided further, this authorization shall not be deemed to be a waiver of any rights to object to the disclosure by the Banks of any such information which any Borrower has or may have under the federal Right to Financial Privacy Act of 1978, as in effect from time to time.

7.5. Corporate Existence and Conduct of Business. Except where the failure of a Borrower to remain so qualified would not materially adversely impair the financial condition of the Borrowers on a consolidated basis, each Borrower will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, corporate rights and franchises; effect and maintain its foreign qualifications, licensing, domestication or authorization except as terminated by its Board of Directors in the exercise of its reasonable judgment; use its best efforts to comply with all applicable laws; and shall not become obligated under any contract or binding arrangement which, at the time it was entered into would materially adversely impair the financial condition of the Borrowers, on a consolidated basis. Each Borrower will continue to engage primarily in the businesses now conducted by it and in related businesses.

7.6. Maintenance of Properties. The Borrowers will cause all material properties used or useful in the conduct of their businesses to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrowers may be necessary so that the businesses carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this section shall prevent any Borrower from discontinuing the operation and maintenance of any of its properties if such discontinuance is, in the judgment of such Borrower, desirable in the conduct of its or their business and which does not in the aggregate materially adversely affect the business of the Borrowers on a consolidated basis.

7.7. Insurance. The Borrowers will maintain with financially sound and reputable insurance companies, funds or underwriters' insurance of the kinds, covering the risks (other than risks arising out of or in any way connected with personal liability of any officers and directors thereof, which risks may, but shall not be required by the Banks to be, covered by insurance maintained by the Borrowers) and in the relative proportionate amounts usually carried by reasonable and prudent companies conducting businesses similar to that of the Borrowers, but in no event less than the amounts and coverages set forth in Schedule 7.7 hereto. In addition, the Borrowers will furnish from time to time, upon the Agent's request, a summary of the insurance coverage of each of the Borrowers, which summary shall be in form and substance satisfactory to the Agent and, if requested by the Agent, will furnish to the Agent copies of the applicable policies.

7.8. Taxes. The Borrowers will each duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all taxes, assessments and other governmental charges (other than taxes, assessments and other governmental charges imposed by foreign jurisdictions which in the aggregate are not material to the business or assets of any Borrower on an individual basis or of the Borrowers on a consolidated basis) imposed upon it and its real properties, sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies, which if unpaid might by law become a lien or charge upon any of its property; provided, however, that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if such Borrower shall have set aside on its books adequate reserves with respect thereto; and provided, further, that such Borrower will pay all such taxes, assessments, charges, levies or claims forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor.

7.9. Inspection of Properties, Books, and Contracts. The Borrowers shall permit the Banks, the Agent or any of their designated representatives, upon reasonable notice, to visit and inspect any of the properties of the Borrowers, to examine the books of account of the Borrowers (including the making of periodic accounts receivable reviews), or contracts (and to make copies thereof and extracts therefrom), and to discuss the affairs, finances and accounts of the Borrowers with, and to be advised as to the same by, their officers, all at such times and intervals as the Banks may reasonably request.

7.10. Compliance with Laws, Contracts, Licenses and Permits; Maintenance of Material Licenses and Permits. Each Borrower will (i) comply with the provisions

of its charter documents and by-laws and all agreements and instruments by which it or any of its properties may be bound; (ii) comply with all applicable laws and regulations (including Environmental Laws), decrees, orders, judgments, licenses and permits, including, without limitation, all environmental permits hereto ("Applicable Laws"), except where noncompliance with such Applicable Laws would not have a material adverse effect in the aggregate on the consolidated financial condition, properties or businesses of the Borrowers; (iii) comply in all material respects with all agreements and instruments by which it or any of its properties may be bound; (iv) maintain all material operating permits for all landfills now owned or hereafter acquired; and (v) dispose of hazardous waste only at licensed disposal facilities operating, to the best of such Borrower's knowledge after reasonable inquiry, in compliance with Environmental Laws. If at any time while the Notes, or any Loan or Letter of Credit is outstanding or any Bank or the Agent has any obligation to make Loans or issue Letters of Credit hereunder, any authorization, consent, approval, permit or license from any officer, agency or instrumentality of any government shall become necessary or required in order that any Borrower may fulfill any of its obligations hereunder, such Borrower will immediately take or cause to be taken all reasonable steps within the power of such Borrower to obtain such authorization, consent, approval, permit or license and furnish the Banks with evidence thereof.

7.11. Environmental Indemnification. The Borrowers covenant and agree that they will jointly and severally indemnify and hold the Agent and the Banks, and their respective affiliates, agents, directors, officers and shareholders, harmless from and against any and all claims, expense, damage, loss or liability incurred by such indemnified parties (including all costs of legal representation incurred by such indemnified parties) relating to (a) any Release or threatened Release of Hazardous Substances on the Real Property; (b) any violation of any Environmental Laws with respect to conditions at the Real Property or the operations conducted thereon; or (c) the investigation or remediation of offsite locations at which the Borrowers, or their predecessors are alleged to have directly or indirectly Disposed of Hazardous Substances. It is expressly acknowledged by the Borrowers that this covenant of indemnification shall survive any foreclosure or any modification, release or discharge of any or all of the Security Documents or the payment of the Loans and shall inure to the benefit of the Agent and the Banks and their respective successors and assigns.

7.12. Further Assurances. The Borrowers will cooperate with the Banks and execute such further instruments and documents as the Banks shall reasonably request to carry out to the Banks' satisfaction the transactions contemplated by this Agreement, including granting additional mortgages on Real Property at the Banks' request as set forth in 7.19 hereof.

7.13. Notice of Potential Claims or Litigation. The Borrowers shall deliver to the Banks, within 30 days of receipt thereof, written notice of the initiation of any action, claim, complaint, or any other notice of dispute or potential litigation (including without limitation any alleged violation of any Environmental Law), wherein the potential liability is in excess of $500,000, together with a copy of each such notice received by any Borrower.

7.14. Notice of Certain Events Concerning Insurance and Environmental Claims.

(a) The Borrowers will provide the Banks with written notice as to any cancellation or material change in any insurance of any of the Borrowers within ten (10) Business Days after such Borrower's receipt of any notice (whether formal or informal) of such cancellation or change by any of its insurers.

(b) The Borrowers will promptly notify the Banks in writing of any of the following events:

(i) upon any Borrower's obtaining knowledge of any violation of any Environmental Law regarding the Real Property or any Borrower's operations which violation could have a material adverse effect on the Real Property or on any Borrower's operations; (ii) upon any Borrower's obtaining knowledge of any potential or known Release, or threat of Release, of any Hazardous Substance at, from, or into the Real Property which it reports in writing or is reportable by it in writing to any governmental authority and which is material in amount or nature or which

could materially affect the value of the Real Property; (iii) upon any Borrower's receipt of any notice of violation of any Environmental Laws or of any Release or threatened Release of Hazardous Substances, including a notice or claim of liability or potential responsibility from any third party (including without limitation any federal, state or local governmental officials) and including notice of any formal inquiry, proceeding, demand, investigation or other action with regard to (A) any Borrower's, or any Person's operation of the Real Property, (B) contamination on, from or into the Real Property, or (C) investigation or remediation of offsite locations at which any Borrower, or any of their predecessors are alleged to have directly or indirectly Disposed of Hazardous Substances; (iv) upon any Borrower's obtaining knowledge that any expense or loss has been incurred by such governmental authority in connection with the assessment, containment, removal or remediation of any Hazardous Substances with respect to which any Borrower may be liable or for which a lien may be imposed on the Real Property; or (v) any setoff, claims (including, with respect to the Real Estate, environmental claims), withholdings or other defenses to which any of the Collateral, or the Agent's rights with respect to the Collateral, are subject.

7.15. Response Actions. The Borrowers covenant and agree that if any Release or Disposal of Hazardous Substances shall occur or shall have occurred on the Real Property, the Borrowers will cause the prompt containment and removal of such Hazardous Substances and remediation of the Real Property as necessary to comply with all Environmental Laws or to preserve the value of the Real Property.

7.16. Environmental Assessments. If (a) with respect to the Real Property subject to a Mortgage, the Banks in their good faith judgment, after discussion with the Borrowers, have reason to believe that the environmental condition of such Real Property has deteriorated, after reasonable notice by the Banks, whether or not an Event of Default shall have occurred, or (b) with respect to Real Property not subject to a Mortgage, the Banks so request, the Banks may, from time to time, for the purpose of assessing the value of the Real Property, obtain one or more environmental assessments or audits of the Real Property prepared by a hydrogeologist, an independent engineer or other qualified consultant or expert approved by the Banks to evaluate or confirm (i) whether any Hazardous Substances are present in the soil or water at the Real Property and (ii) whether the use and operation of the Real Property complies with all Environmental Laws. Environmental assessments may include without limitation detailed visual inspections of the Real Property including, without limitation, any and all storage areas, storage tanks, drains, dry wells and leaching areas, and the taking of soil samples, surface water samples and ground water samples, as well as such other investigations or analyses as the Banks deem appropriate. All such environmental assessments shall be at the sole cost and expense of the Borrowers.

7.17. Notice of Default. The Borrowers will promptly notify the Banks in writing of the occurrence of any Default or Event of Default. If any Person shall give any notice or take any other action in respect of a claimed default (whether or not constituting an Event of Default) under this Agreement or any other note, evidence of indebtedness, indenture or other obligation evidencing indebtedness in excess of $250,000 as to which any Borrower is a party or obligor, whether as principal or surety, the Borrowers shall forthwith give written notice thereof to the Banks, describing the notice of action and the nature of the claimed default.

7.18. Closure and Post Closure Liabilities. The Borrowers shall at all times adequately accrue, in accordance with GAAP, and fund, as required by applicable Environmental Laws, all closure and post closure liabilities with respect to the operations of the Borrowers.

7.19. Additional Mortgages. If after the Closing Date the Agent so requests, the Borrowers shall forthwith execute and deliver to the Agent a fully executed mortgage or deed of trust over Real Property of the Borrowers in addition to the Sanco Landfill, the Waste USA Landfill, the Sawyer Real Estate and the Casella TIRES Real Estate, in form and substance satisfactory to the Agent, together with title insurance policies, surveys, evidences of insurance, legal opinions and other documents and certificates with respect to such Real Property as the Agent may request. The Borrowers agree that following the taking of such actions with respect to such Real Property, the Agent shall have a valid and enforceable first priority mortgage or deed of trust over such Real Property, subject only to Permitted Liens. If after the Closing Date the Agent so requests, the Borrowers shall forthwith execute and deliver to the Agent fully executed amendments to the Mortgages, in form and substance satisfactory

to the Agent, together with title insurance policy endorsements, legal opinions and other documents and certificates with respect to such amendments as the Agent may request in order to confirm the Agent's first priority security interest in the Real Property subject to such Mortgages.

7.20. Subsidiaries. The Parent shall at all times directly or indirectly through a Subsidiary own all of the shares of the capital stock of each Subsidiary.

7.21. Pine Tree Waste, Inc. The Borrowers covenant and agree that the newly acquired subsidiary, Pine Tree Waste, Inc., a Maine corporation, will merge into Sawyer Environmental Services (with Sawyer Environmental Services as the surviving entity) within 90 days of the Closing Date.

8. CERTAIN NEGATIVE COVENANTS OF THE BORROWERS. The Borrowers agree that, so long as any Loan or any Note is outstanding or the Banks have any obligation to make Loans or the Agent has any obligation to issue, extend or renew any Letters of Credit hereunder:

8.1. Restrictions on Indebtedness. None of the Borrowers shall become or be a guarantor or surety of, or otherwise create, incur, assume, or be or remain liable, contingently or otherwise, with respect to any Indebtedness, or become or be responsible in any manner (whether by agreement to purchase any obligations, stock, assets, goods or services, or to supply or advance any funds, assets, goods or services or otherwise) with respect to any undertaking or Indebtedness of any other Person, or incur any Indebtedness other than:

(a) Indebtedness to the Banks and the Agent arising under this Agreement or the Loan Documents;

(b) Subject to 8.9, Subordinated Debt in an aggregate outstanding principal amount not to exceed $15,000,000;

(c) Existing Indebtedness with respect to loans and capitalized leases listed on Schedule 8.1(c) hereto in an aggregate amount not to exceed $7,500,000, on the terms and conditions in effect as of the date hereof, together with any renewals, extensions or refinancings thereof on terms which are not materially different than those in effect as of the date hereof;

(d) Current liabilities incurred in the ordinary course of business not incurred through (i) the borrowing of money, or (ii) the obtaining of credit except for credit on an open account basis customarily extended and in fact extended in connection with normal purchases of goods and services;

(e) Indebtedness in respect of taxes, assessments, governmental charges or levies and claims for labor, materials and supplies to the extent that payment therefor shall not at the time be required to be made in accordance with the provisions of 7.8 and Indebtedness of the Borrowers secured by liens of carriers, warehousemen, mechanics and materialmen permitted by 8.2;

(f) Indebtedness in respect of judgments or awards which have been in force for less than the applicable period for taking an appeal so long as execution is not levied thereunder or in respect of which any Borrower shall at the time in good faith be prosecuting an appeal or proceedings for review and in respect of which a stay of execution shall have been obtained pending such appeal or review and in respect of which the Borrowers have maintained adequate reserves;

(g) Indebtedness of any Borrower with respect to guaranty, suretyship or indemnification obligations in connection with such Borrower's performance of services for its respective customers in the ordinary course of its business;

(h) [Intentionally omitted];

(i) Indebtedness of any Subsidiary owing to the Parent;

(j) Intercompany Indebtedness among the Subsidiaries;

(k) Indebtedness in respect of a letter of credit issued by Allbank Bank in the face amount of $168,000; provided that if the Agent, in its sole and absolute discretion, at any time and for any reason so requests, the Borrowers shall promptly replace such letter of credit with a Letter of Credit issued by the Agent pursuant to the terms of this Credit Agreement;

(l) Indebtedness incurred in connection with the acquisition after the date hereof of any personal property by the Borrowers under any lease; provided that the aggregate outstanding principal amount of such Indebtedness of the Borrowers shall not exceed $10,000,000 at any time;

(m) Indebtedness incurred in connection with the acquisition by the Borrowers of real or personal property, including Indebtedness in respect of non-compete payments; provided that the aggregate outstanding principal amount of such Indebtedness of the Borrowers shall not exceed $15,000,000 at any time;

(n) Indebtedness in an aggregate amount not to exceed $10,501,284 payable to Clinton County, New York under and in accordance with the terms of the Clinton Lease;

(o) Indebtedness under fuel price swaps, fuel price caps, and fuel price collar or floor agreements, and similar agreements or arrangements designed to protect against or manage fluctuations in fuel prices with respect to fuel purchased in the ordinary course of business of the Borrowers, provided that the aggregate amount of such agreements do not exceed $500,000, the maturity of such agreements do not exceed six (6) months, the terms are consistent with past practices of the Borrowers, and such agreements are entered into with the Agent or any Bank and secured by the Collateral; and

(p) Indebtedness in respect of interest rate protection arrangements satisfactory to the Agent entered into with the Agent or any Bank and secured by the Collateral.

8.2. Restrictions on Liens. None of the Borrowers will create or incur or suffer to be created or incurred or to exist any lien, encumbrance, mortgage, pledge, negative pledge, charge, restriction or other security interest of any kind upon any property or assets of any character, whether now owned or hereafter acquired, or upon the income or profits therefrom; or transfer any of such property or assets or the income or profits therefrom for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to payment of its general creditors; or acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement; or suffer to exist for a period of more than 30 days after the same shall have been incurred any Indebtedness or claim or demand against it which if unpaid might by law or upon bankruptcy or insolvency, or otherwise, be given any priority whatsoever over its general creditors; or sell, assign, pledge or otherwise transfer any accounts, contract rights, general intangibles or chattel paper, with or without recourse, except as follows (the "Permitted Liens"):

(a) purchase money security interests in or purchase money liens on property other than the Mortgaged Property to secure Indebtedness permitted under 8.1(m) hereof, provided that such Liens (i) shall encumber only the property or assets so acquired, (ii) shall not exceed the fair market value thereof and (iii) shall not encumber property with an aggregate value in excess of $10,000,000;

(b) Liens to secure taxes, assessments and other government charges or claims for labor, material or supplies in respect of obligations not overdue;

(c) Deposits or pledges made in connection with, or to secure payment of, workmen's compensation, unemployment insurance, old age pensions or other social security obligations;

(d) Liens in respect of judgments or awards, the Indebtedness with respect to which is permitted by 8.1(f);

(e) Liens of carriers, warehousemen, mechanics and materialmen, and

other like liens, in existence less than 120 days from the date of creation thereof in respect of obligations not overdue;

(f) Encumbrances consisting of easements, rights of way, zoning restrictions, restrictions on the use of real property and defects and irregularities in the title thereto, landlord's or lessor's liens under leases to which any Borrower is a party, and other minor liens or encumbrances none of which in the opinion of the respective Borrower interferes materially with the use of the property affected in the ordinary conduct of the business of such Borrower, which defects do not individually or in the aggregate have a material adverse effect on the business of such Borrower individually or of the Borrowers on a consolidated basis;

(g) Liens existing as of the date hereof securing Indebtedness permitted under 8.1(c) hereof and listed on Schedule 8.2(g) hereto;

(h) Liens granted pursuant to the Security Documents;

(i) A second mortgage lien on the Waste USA Landfill in favor of the sellers of the Waste USA Landfill, subordinated to the Agent's Mortgage on terms acceptable to the Banks;

(j) Liens on the assets of Bristol Waste Management, Inc. granted to secure the Indebtedness permitted by 8.1(k) hereof and listed on Schedule 8.2(k) hereto; and

(k) Liens granted to secure the Indebtedness permitted by 8.1(l) hereof.

8.3. Restrictions on Investments. None of the Borrowers shall make or permit to exist or to remain outstanding any other Investment other than:

(a) Investments in obligations of the United States of America and agencies thereof and obligations guaranteed by the United States of America that are due and payable within one year from the date of acquisition;

(b) certificates of deposit, time deposits or repurchase agreements which are fully insured or are issued by commercial banks organized under the laws of the United States of America or any state thereof and having a combined capital, surplus, and undivided profits of not less than $100,000,000;

(c) commercial paper, maturing not more than nine months from the date of issue, provided that, at the time of purchase, such commercial paper is not rated lower than "P- 1" by Moody's Investors Service, Inc., or "A- 1" by Standard & Poor's Corporation;

(d) Investments associated with insurance policies required or allowed by state law to be posted as financial assurance for landfill closure and post-closure liabilities;

(e) Investments by any Borrower in any wholly owned Subsidiary which is also a Borrower;

(f) Investments existing on the date hereof and listed on Schedule 8.3(g) hereto;

(g) Any money market account, short- term asset management account or similar investment account maintained with one of the Banks; and

(h) other Investments not to exceed $500,000 in the aggregate at any time outstanding.

provided; that none of the Borrowers shall make or permit to exist or to remain outstanding any Investment in any Subsidiary unless both before and after giving effect thereto there does not exist a Default or Event of Default and no Default or Event of Default would be created by the making of such Investment.

8.4. Mergers, Consolidations, Sales. None of the Borrowers shall be a party to any merger, consolidation or exchange of stock, or purchase or otherwise acquire all or substantially all of the assets or stock of, or any partnership or joint venture interest in, any other Person (except as otherwise provided in

this 8.4), or sell, transfer, convey or lease any stock or assets or group of assets (except for (i) sales of equipment in the ordinary course of business and (ii) sales of other assets so long as the aggregate book value of such assets to be sold, together with the aggregate book value of all other such assets sold by the Borrowers during the term of this Agreement, does not exceed 5% of Consolidated Total Assets at the time of such sale) or sell or assign, with or without recourse, any receivables, provided, however notwithstanding the foregoing so long as no Default or Event of Default has occurred and is continuing and the proposed transaction will not otherwise create an Event of Default as a result thereof, the Borrowers shall be permitted (i) simultaneously with the consummation of its initial public offering to exchange any of its preferred stock into shares of common stock and (ii) to authorize and issue additional shares of its capital stock. Notwithstanding the foregoing, a Borrower may purchase or otherwise acquire for cash, stock or other consideration all or substantially all of the assets or stock of any class of any Person provided that (a) the Banks shall have been provided with a Compliance Certificate demonstrating that the Borrowers are in current compliance with and, giving effect to the proposed acquisition (including any borrowings made or to be made in connection therewith), will continue to be in compliance with, all of the covenants in 9 hereof; (b) no Event of Default has occurred and is continuing and the proposed transaction will not otherwise create an Event of Default hereunder; (c) the business or assets to be acquired involves solid waste collection, hauling, recycling or transfer or related businesses; (d) the business or assets to be acquired operates in the United States; (e) all of the assets to be acquired shall be pledged to the Agent for the benefit of the Banks and shall be owned by an existing or newly created Subsidiary of the Parent, 100% of the stock of which has been or will be pledged to the Agent on behalf of the Banks and which is a Borrower or, in the case of a stock acquisition, the acquired company shall become or shall be merged with a wholly-owned Subsidiary of the Parent that is a Borrower; (f) a copy of the purchase agreement, together with audited (if available, or otherwise unaudited) financial statements for any business to be acquired for the preceding two (2) fiscal years and due diligence summaries shall have been furnished to the Banks, if the purchase price, excluding the payment of all fees and expenses relating to such purchase, exceeds $1,000,000; (g) if such acquisition is made by a merger, such Borrower shall be the surviving entity; (h) the cash consideration in connection with any such acquisition (including the aggregate amount of all liabilities assumed) shall not exceed $10,000,000; and (i) the Borrower shall provide to the Banks written consent or approval of the board of directors or equivalent governing body of the entity whose business or assets are to be acquired. Notwithstanding the foregoing, no Person may acquire a controlling interest in any Borrower, nor may a Borrower purchase or otherwise acquire all or substantially all of the assets or stock of any class of another Borrower, in each case, without the prior written consent of the Banks. In addition, notwithstanding the foregoing, no Borrower shall merge with or into any Person except for mergers of a non-Borrower into a Borrower as permitted by clause (g) of the second sentence of this 8.4; provided, however, that so long as (x) no Default or Event of Default has occurred and is continuing, or would occur after giving effect thereto, and (y) the surviving entity becomes a Borrower hereunder and all assets of such surviving entity are pledged to the Agent for the benefit of the Banks, North Country Environmental Services, Inc. may merge with a newly created corporation which is formed solely for the purpose of acquiring the assets of North Country Environmental Services, Inc. only and which is directly or indirectly wholly-owned by the Parent.

8.5. Sale and Leaseback. None of the Borrowers shall enter into any arrangement, directly or indirectly, whereby any Borrower shall sell or transfer any property owned by it in order then or thereafter to lease such property or lease other property which such Borrower intends to use for substantially the same purpose as the property being sold or transferred, without the prior written consent of the Banks.

8.6. Restricted Distributions and Redemptions. None of the Borrowers will declare or pay any cash Distributions; provided that (a) any Subsidiary may declare or pay cash Distributions to the Parent and (b) so long as no Default or Event of Default has occurred and is continuing, or would occur after giving effect thereto, the Parent may make cash Distributions to its shareholders in an aggregate amount, together with redemptions permitted by the following sentence, not to exceed $100,000 during the term of this Agreement. In addition, the Borrowers shall not redeem, convert, retire or otherwise acquire shares of any class of capital stock of the Borrowers in aggregate amount, together with cash Distributions by the Parent permitted by the previous sentence, in excess of

$100,000 during the term of this Agreement. The Borrowers shall not effect or permit any change in or amendment to the charter documents or by-laws of any Borrower or any document or instrument pertaining to the terms of the Parent's capital stock.

8.7. Employee Benefit Plans. None of the Borrowers nor any ERISA Affiliate will:

(a) engage in any "prohibited transaction" within the meaning of 406 of ERISA or 4975 of the Code which could result in a material liability for any Borrower; or

(b) permit any Guaranteed Pension Plan to incur an "accumulated funding deficiency", as such term is defined in 302 of ERISA, whether or not such deficiency is or may be waived; or

(c) fail to contribute to any Guaranteed Pension Plan to an extent which, or terminate any Guaranteed Pension Plan in a manner which, could result in the imposition of a lien or encumbrance on the assets of any Borrower pursuant to 302(f) or 4068 of ERISA; or

(d) permit or take any action which would result in the aggregate benefit liabilities (with the meaning of 4001 of ERISA) of all Guaranteed Pension Plans exceeding the value of the aggregate assets of such Plans, disregarding for this purpose the benefit liabilities and assets of any such Plan with assets in excess of benefit liabilities.

The Borrowers will (i) promptly upon filing the same with the Department of Labor or Internal Revenue Service, furnish to the Banks a copy of the most recent actuarial statement required to be submitted under 103(d) of ERISA and Annual Report, Form 5500, with all required attachments, in respect of each Guaranteed Pension Plan and (ii) promptly upon receipt or dispatch, furnish to the Banks any notice, report or demand sent or received in respect of a Guaranteed Pension Plan under 302, 4041, 4042, 4043, 4063, 4065, 4066 and 4068 of ERISA, or in respect of a Multiemployer Plan, under 4041A, 4202, 4219, or 4245 of ERISA.

8.8. Capital Expenditures. As at the end of any fiscal quarter, the Borrowers will not permit the amount of Capital Expenditures (excluding any acquisitions permitted by 8.4 hereof) made by the Borrowers in the period of four (4) consecutive fiscal quarters then ended to exceed an amount equal to 2.0 times the sum of depreciation and landfill amortization expense for such period.

8.9. Subordinated Debt. None of the Borrowers will amend, supplement, or otherwise modify the terms of the Subordinated Debt, the Subordination Agreements, the Stockholder Stand-off Agreement or the Waste USA Lease without the prior written consent of the Banks. None of the Borrowers will prepay the Waste USA Lease, terminate the Waste USA Lease or exercise any option of purchase the leasehold estate subject to the Waste USA Lease during the term of this Credit Agreement without the prior written consent of the Banks. None of the Borrowers will amend, supplement or otherwise modify the terms of the Clinton Lease, prepay the Clinton Lease, terminate the Clinton Lease, or exercise any option to purchase the landfill and related property subject to the Clinton Lease during the term of this Agreement without the prior written consent of the Banks. The Borrowers will not make any payments of the Subordinated Debt other than scheduled payments of principal and interest permitted under the Subordination Agreements; provided that so long as no Default or Event of Default has occurred and is continuing, the Borrowers may make unscheduled principal payments on Indebtedness permitted under Section 8.1(m) consisting of notes payable to sellers of assets, the principal face amount of each of which notes does not exceed $250,000, in an aggregate amount not to exceed $5,000,000 (less amounts prepaid under the August, 1997 Credit Agreement, provided that such prepaid amounts do not exceed $1,750,000) during the term of this Agreement.

8.10. Negative Pledge. The Borrowers will not enter into any agreement containing any provision prohibiting the creation or assumption of any lien or security interest upon its properties (other than prohibitions on liens for particular assets set forth in a security instrument in connection with secured Indebtedness permitted by 8.1(m) relating to such assets and the granting or effect of such liens does not otherwise constitute a Default or Event of Default), revenues or assets, whether now owned or hereafter acquired, or

restricting the ability of the Borrowers to amend or modify this Agreement or any other Loan Document.

9. FINANCIAL COVENANTS OF THE BORROWERS. The Borrowers agree that, so long as any Loan or any Note is outstanding or the Banks have any obligation to make Loans or the Agent has any obligation to issue, extend or renew any Letters of Credit hereunder:

9.1. Interest Coverage Ratios As of the end of any fiscal quarter, for the period of the four consecutive fiscal quarters then ended, the ratio of EBITDA to Consolidated Total Interest Expense shall not be less than 3.5:1.

9.2. Profitable Operations. The Borrowers will not permit Consolidated Net Income to be less than $0 in any quarter.

9.3. Funded Debt to EBITDA Ratio. As at the end of any fiscal quarter, the ratio of (a) Indebtedness of the Borrowers for borrowed money and capitalized leases ("Consolidated Funded Indebtedness") to (b) EBITDA for the period of four consecutive fiscal quarters ending on such date (subject to the provisions below) shall not exceed the stated ratio for the respective periods set forth below:

Period	Ratio
Closing Date through 4/30/99	3.75:1
Thereafter	3.50:1

For purposes of calculating the Consolidated Funded Indebtedness to EBITDA ratio (a) for (i) the fiscal quarter ending July 31, 1997, EBITDA shall be deemed equal to four (4) times EBITDA for the three month period then ended, (ii) the fiscal quarter ending October 31, 1997, EBITDA shall be deemed equal to two (2) times EBITDA for the six month period then ended and (iii) the fiscal quarter ending January 31, 1998, EBITDA shall be deemed equal to one and one-third (1 1/3) times EBITDA for the nine month period then ended and (b) the financial results of any businesses acquired after May 1, 1997 by the Borrowers during such fiscal period shall be included in the calculation of EBITDA so long as (i) the acquired business had annual revenue of at least $5,000,000 for the most recent fiscal year, (ii) the Agent is satisfied that the financial information for the acquired business fairly presents the financial condition of such business and (iii) the Agent receives a letter in form and substance satisfactory to the Banks from the Borrowers' Accountants as to adjustments for non-recurring expenses.

9.4. Funded Debt to Capitalization. As of the end of any fiscal quarter, the Borrowers shall not permit the ratio of (a) Consolidated Funded Indebtedness to (b) the sum of (i) Consolidated Funded Indebtedness plus (ii) shareholder's equity in the Parent as determined in accordance with GAAP to exceed 0.60 to 1.

10. CLOSING CONDITIONS.

The obligations of the Banks to make the Loans and the Agent to issue Letters of Credit on the Closing Date and otherwise be bound by the terms of this Agreement shall be subject to the satisfaction of each of the following conditions precedent:

10.1. Corporate Action. All corporate action necessary for the valid execution, delivery and performance by each Borrower of the Loan Documents shall have been duly and effectively taken, and evidence thereof satisfactory to the Agent shall have been provided to the Agent.

10.2. Loan Documents, Etc. Each of the Loan Documents shall have been duly and properly authorized, executed and delivered by the respective parties thereto and shall be in full force and effect in a form satisfactory to the Banks, provided that the Borrowers shall have thirty (30) days after the Closing Date to execute and deliver the amendments to the Mortgages.

10.3. Officer's Certificate; Certified Copies of Charter Documents. For each Borrower that was a party to the August, 1997 Credit Agreement, the Agent

shall have received a certificate of a duly authorized officer of such Person as to the existence, good standing, and lack of changes to its charter documents since last delivered to the Agent. For All Cycle and Winters, the Agent shall have received from the Borrowers a copy, certified by a duly authorized officer of such Person to be true and complete on the Closing Date, of each of (a) its charter or other incorporation documents (including certificates of merger and name changes) as in effect on such date of certification, and (b) its by-laws as in effect on such date.

10.4. Incumbency Certificate. The Agent shall have received an incumbency certificate, dated as of the Closing Date, signed by duly authorized officers giving the name and bearing a specimen signature of each individual who shall be authorized: (a) to sign the Loan Documents on behalf of the Borrowers; (b) to make Loan and Letter of Credit Requests; and (c) to give notices and to take other action on the Borrowers' behalf under the Loan Documents.

10.5. Validity of Liens. The Security Documents shall be effective to create in favor of the Agent a legal, valid and enforceable first security interest in and lien upon the Collateral, subject only to Permitted Liens. All filings, recordings, deliveries of instruments and other actions necessary or desirable in the opinion of the Agent to protect and preserve such security interests, and any necessary amendments to the Mortgages, shall have been duly effected, provided that the Borrowers shall have five (5) business days to deliver the stock certificates of All Cycle and Winters to the Agent. The Agent shall have received evidence thereof in form and substance satisfactory to the Agent.

10.6 UCC Search Results. The Agent shall have received the results of UCC searches with respect to the Collateral owned by any Borrower acquired after August 7, 1997, indicating no other liens other than Permitted Liens, and otherwise in form and substance satisfactory to the Agent.

10.7. [Intentionally Omitted.]

10.8. Certificates of Insurance. The Agent shall have received (i) a certificate of insurance from an independent insurance broker dated as of the Closing Date, or within 15 days prior thereto, identifying insurers, types of insurance, insurance limits, and policy terms, and otherwise describing the insurance obtained in accordance with the provisions of the Security Documents and (ii) copies of all policies evidencing such insurance (or certificates therefor signed by the insurer or an agent authorized to bind the insurer).

10.9. Opinion of Counsel. The Banks shall have received from Miller, Eggleston & Cramer, Ltd., an opinion addressed to the Banks, dated the Closing Date, in form and substance satisfactory to the Banks, as to (i) authorization, enforceability of Loan Documents and other corporate matters; (ii) Vermont security and real estate matters.

10.10. Payment of Fees. The Borrowers shall have paid to the Agent for the accounts of the Bank or its own account, as applicable, all fees and expenses that are due and payable as of the Closing Date in accordance with this Agreement.

10.11. Good Standing Certificates. The Agent shall have received certificates from governmental officials evidencing the legal existence, good standing and foreign qualifications of All Cycle and Winters.

10.12. Affirmation of Subordination Agreements. The Agent shall have received an opinion of Miller, Eggleston & Cramer, Ltd. that such a reaffirmation of the Waste USA Subordination Agreement is not required to allow the provisions of such agreement to remain in full force and effect.

11. CONDITIONS OF ALL LOANS.

The obligations of the Banks to make any Loan (including without limitation the obligation of the Agent to issue any Letter of Credit) on and subsequent to the Closing Date is subject to the following conditions precedent:

11.1. Representations True; No Event of Default. Each of the representations and warranties of the Borrowers contained in this Agreement or in any document or instrument delivered pursuant to or in connection with this Agreement shall be true as of the date as of which they were made and shall also

be true at and as of the time of the making of the Loan with the same effect as if made at and as of that time (except to the extent of changes resulting from transactions contemplated or permitted by this Agreement and changes occurring in the ordinary course of business which singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties relate expressly to an earlier date) and no Default or Event of Default shall have occurred and be continuing.

11.2 Performance; No Event of Default. The Borrowers shall have performed and complied with all terms and conditions herein required to be performed or complied with by them prior to or at the time of any Loan, and at the time of any Loan, there shall exist no Event of Default or condition which would result in an Event of Default upon consummation of such Loan (including without limitation any amounts to be drawn under a Letter of Credit). Each request by the Borrowers for a Loan (including without limitation each request for issuance of a Letter of Credit) subsequent to the first Loan shall constitute certification by the Borrowers that the conditions specified in 10.1 and 10.2 will be duly satisfied on the date of such Loan or Letter of Credit issuance.

11.3. No Legal Impediment. No change shall have occurred in any law or regulations thereunder or interpretations thereof which in the reasonable opinion of the Banks would make it illegal for the Banks to make Loans hereunder.

11.4. Governmental Regulation. The Banks shall have received such statements in substance and form reasonably satisfactory to the Banks as they shall require for the purpose of compliance with any applicable regulations of the Comptroller of the Currency or the Board of Governors of the Federal Reserve System.

11.5. Proceedings and Documents. All proceedings in connection with the transactions contemplated by this Agreement and all documents incident thereto shall have been delivered to the Banks as of the date hereof in substance and in form satisfactory to the Banks, including without limitation a Letter of Credit and Loan Request in the form attached hereto as Exhibit B, and the Banks shall have received all information and such counterpart originals or certified or other copies of such documents as the Banks may reasonably request.

12. COLLATERAL SECURITY. The Obligations shall be secured by a perfected security interest (having, with respect to each category of Collateral, the respective rights and priorities set forth in the Security Documents) in all of the assets of the Borrowers, whether now owned or hereafter acquired, pursuant to the terms of the Security Documents to which the Borrowers are parties. It is the intention of the parties that all of the Revolving Credit Loans (including any increase in the amount of the Revolving Credit Loans pursuant to 2 hereof) be secured by the Mortgages, whether or not the Mortgages, or any one of them, is amended in order to reflect the full amount of and/or any increase in the amount of the Revolving Credit Loans.

13. EVENTS OF DEFAULT; ACCELERATION; TERMINATION OF COMMITMENT.

13.1. Events of Default and Acceleration. If any of the following events ("Events of Default" or, if the giving of notice or the lapse of time or both is required, then, prior to such notice and/or lapse of time, "Defaults") shall occur:

(a) if the Borrowers shall fail to pay any principal of the Loans when the same shall become due and payable, whether at the Revolving Credit Maturity Date or any accelerated date of maturity or at any other date fixed for payment;

(b) if the Borrowers shall fail to pay any interest or fees or other amounts owing hereunder within five (5) Business Days after the same shall become due and payable whether at the Maturity Date or any accelerated date of maturity or at any other date fixed for payment;

(c) if the Borrowers shall fail to comply with the covenants contained in 7 (other than 7.6, 7.14, 7.15 and 7.18), 8 or 9 hereof;

(d) if the Borrowers shall fail to perform any term, covenant or agreement contained herein or in any of the other Loan Documents (other than those specified in subsections (a), (b), and (c) above) within 30 days

after written notice of such failure has been given to the Borrowers by the Banks;

(e) if any representation or warranty contained in this Agreement or in any document or instrument delivered pursuant to or in connection with this Agreement shall prove to have been false in any material respect upon the date when made or repeated;

(f) if any Borrower shall fail to pay at maturity, or within any applicable period of grace, any and all obligations for borrowed money or any guaranty with respect thereto in an aggregate amount greater than $250,000, or fail to observe or perform any material term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing borrowed money in an aggregate amount greater than $250,000 for such period of time as would, or would have permitted (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof; or

(g) if any Borrower makes an assignment for the benefit of creditors, or admits in writing its inability to pay or generally fails to pay its debts as they mature or become due, or petitions or applies for the appointment of a trustee or other custodian, liquidator or receiver of any Borrower or of any substantial part of the assets of any Borrower or commences any case or other proceeding relating to any Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, now or hereafter in effect, or takes any action to authorize or in furtherance of any of the foregoing, or if any such petition or application is filed or any such case or other proceeding is commenced against any Borrower and or any Borrower indicates its approval thereof, consent thereto or acquiescence therein;

(h) a decree or order is entered appointing any such trustee, custodian, liquidator or receiver or adjudicating any Borrower bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief is entered in respect of any Borrower in an involuntary case under federal bankruptcy laws as now or hereafter constituted, and such decree or order remains in effect for more than sixty (60) days, whether or not consecutive;

(i) if there shall remain in force, undischarged, unsatisfied and unstayed, for more than thirty (30) days, whether or not consecutive, any final judgment against any Borrower which, with other outstanding final judgments, against the Borrowers exceeds in the aggregate $250,000 after taking into account any undisputed insurance coverage;

(j) with respect to any Guaranteed Pension Plan, an ERISA Reportable Event shall have occurred and the Banks shall have determined in their reasonable discretion that such event reasonably could be expected to result in liability of any Borrower to the PBGC or the Plan in an aggregate amount exceeding $250,000 and such event in the circumstances occurring reasonably could constitute grounds for the termination of such Plan by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer such Plan; or a trustee shall have been appointed by the United States District Court to administer such Plan; or the PBGC shall have instituted proceedings to terminate such Plan;

(k) any of the Subordinated Debt shall be in default or all or any part of the Subordinated Debt shall be paid, prepaid, redeemed or repurchased in whole or in part other than as permitted under the terms of the Subordination Agreements, hereof and thereof; or

(l) if any of the Loan Documents shall be cancelled, terminated, revoked or rescinded otherwise than in accordance with the terms thereof or with the express prior written agreement, consent or approval of the Banks, or any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of the Borrowers or any of their respective stockholders, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with

the terms thereof;

(m) John Casella and James Bohlig shall cease to serve as senior management of the Parent and shall fail to be replaced by other Persons reasonably acceptable to the Banks within 30 days;

then, and in any such event, so long as the same may be continuing, the Agent shall upon the request of the Required Banks, by notice in writing to the Borrowers, declare all amounts owing with respect to this Agreement, the Notes and the other Loan Documents and all Reimbursement Obligations to be, and they shall thereupon forthwith become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrowers; provided that in the event of any Event of Default specified in 13.1(g) or 13.1(h), all such amounts shall become immediately due and payable automatically and without any requirement of notice from the Agent or any Bank. Upon demand by the Banks after the occurrence of any Event of Default, the Borrowers shall immediately provide to the Agent cash in an amount equal to the aggregate Maximum Drawing Amount of all Letters of Credit outstanding, to be held by the Agent as collateral security for the Obligations.

13.2. Termination of Commitments. If any Event of Default shall occur, any unused portion of the Total Commitment hereunder shall forthwith terminate and the Banks shall be relieved of all obligations to make Loans to or issue Letters of Credit for the account of any of the Borrowers; or if on any Drawdown Date the conditions precedent to the making of the Loans to be made on such Drawdown Date or the issuance of any Letters of Credit to be issued on such date are not satisfied (except as a consequence of a default on the part of the Banks), the Banks may by notice to the Borrowers, terminate the unused portion of the Total Commitment hereunder, and upon such Notice being given, such unused portion of the Total Commitment hereunder shall terminate immediately and the Banks shall be relieved of all further obligations to make Loans to or issue Letters of Credit for the account of the Borrowers hereunder. No termination of any portion of the Total Commitment hereunder shall relieve the Borrowers of any of their existing Obligations to the Banks hereunder or elsewhere.

13.3. Remedies. Subject to 15.8, in case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Loans pursuant to 13.1, each Bank, if owed any amount with respect to the Loans or the Reimbursement Obligations, may proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations or the Guaranteed Obligations to such Bank are evidenced, including, without limitation, as permitted by applicable law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any legal or equitable right of such Bank. No remedy herein conferred upon any Bank or the Agent or the holder of any Note or purchaser of any Letter of Credit Participation is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

14. SETOFF. Regardless of the adequacy of any collateral, during the continuance of an Event of Default, any deposits or other sums credited by or due from any Bank to the Borrowers and any securities or other property of the Borrowers in the possession of such Bank may be applied to or set off against the payment of the Obligations and any and all other liabilities, direct, or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of the Borrowers to the Banks. Each of the Banks agrees with each other Bank that (a) if an amount to be set off is to be applied to Indebtedness of the Borrowers to such Bank, other than Indebtedness evidenced by the Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness evidenced by all such Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, and (b) if such Bank shall receive from the Borrowers, whether by voluntary payment, exercise of the right of setoff, counterclaim, cross action, enforcement of the claim evidenced by the Notes held by, or constituting Reimbursement Obligations owed to, such Bank by proceedings against the Borrowers at law or in equity or by proof thereof in bankruptcy, reorganization, liquidation, receivership or similar

proceedings, or otherwise, and shall retain and apply to the payment of the Note or Notes held by, or Reimbursement Obligations owed to, such Bank any amount in excess of its ratable portion of the payments received by all of the Banks with respect to the Notes held by, and Reimbursement Obligations owed to, all of the Banks, such Bank will make such disposition and arrangements with the other Banks with respect to such excess, either by way of distribution, pro tanto assignment of claims, subrogation or otherwise as shall result in each Bank receiving in respect of the Notes held by it or Reimbursement Obligations owed it, such Bank's proportionate payment as contemplated by this Agreement; provided that if all or any part of such excess payment is thereafter recovered from such Bank, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

15. THE AGENT.

15.1 Appointment of Agent, Powers and Immunities. Each Bank hereby irrevocably appoints and authorizes the Agent to act as its agent hereunder and under the other Loan Documents. The Agent hereby acknowledges that it does not have the authority to negotiate any agreement which would bind the Banks or agree to any amendment, waiver or modification of any of the Loan Documents or bind the Banks except as set forth in this Agreement or the Loan Documents. Except as provided in this 15 and in the other Loan Documents, the Agent shall take action or refrain from acting only upon instructions of the Banks and no action taken or failure to act without the consent of the Banks shall be binding on any Bank which has not consented. Each Bank irrevocably authorizes the Agent to execute the Security Documents and all other instruments relating thereto and to take such action on behalf of each of the Banks and to exercise all such powers as are expressly delegated to the Agent hereunder and in the Security Documents and all related documents, together with such other powers as are reasonably incidental thereto. It is agreed that the duties, rights, privileges and immunities of the Agent, in its capacity as issuer of Letters of Credit hereunder, shall be identical to its duties, rights, privileges and immunities as Bank as provided in this 15. The Agent shall not have any duties or responsibilities or any fiduciary relationship with any Bank except those expressly set forth in this Agreement. Neither the Agent nor any of its affiliates shall be responsible to the Banks for any recitals, statements, representations or warranties made by the Borrowers or any other Person whether contained herein or otherwise or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, the other Loan Documents or any other document referred to or provided for herein or therein or for any failure by the Borrowers or any other Person to perform its obligations hereunder or thereunder or in respect of the Notes. The Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither the Agent nor any of its directors, officers, employees or agents shall be responsible for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct. The Bank in its separate capacity as a Bank shall have the same rights and powers hereunder as any other Bank.

15.2. Actions By Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement as it reasonably deems appropriate unless it shall first have received such advice or concurrence of the Banks and shall be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any of the Loan Documents in accordance with a request of the Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks and all future holders of the Notes or any Letter of Credit Participation.

15.3. Indemnification. Without limiting the obligations of the Borrowers hereunder or under any other Loan Document, the Banks agree to indemnify the Agent and its affiliates, agents, directors, officers and shareholders, and ratably in accordance with their respective Commitment Percentages, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements or any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other Loan Document or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or the enforcement of any of the

terms hereof or thereof or of any such other documents; provided, that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent (or any agent thereof).

15.4. Reimbursement. Without limiting the provisions of 15.3, the Banks and the Agent hereby agree that the Agent shall not be obliged to make available to any Person any sum which the Agent is expecting to receive for the account of that Person until the Agent has determined that it has received that sum. The Agent may, however, disburse funds prior to determining that the sums which the Agent expects to receive have been finally and unconditionally paid to the Agent, if the Agent wishes to do so. If and to the extent that the Agent does disburse funds and it later becomes apparent that the Agent did not then receive a payment in an amount equal to the sum paid out, then any Person to whom the Agent made the funds available shall, on demand from the Agent, refund to the Agent the sum paid to that Person. If, in the opinion of the Agent, the distribution of any amount received by it in such capacity hereunder or under the Loan Documents might involve it in liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received and distributed by the Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to the Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

15.5. Documents. The Agent will forward to each Bank, promptly after the Agent's receipt thereof, a copy of each notice or other document furnished to the Agent for such Bank hereunder; provided, however, that, notwithstanding the foregoing, the Agent may furnish to the Banks a monthly summary with respect to Letters of Credit issued hereunder in lieu of copies of the related Letter of Credit Applications.

15.6. Non-Reliance on Agent and Other Banks. Each Bank represents that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of the financial condition and affairs of the Borrowers and decision to enter into this Agreement and the other Loan Documents and agrees that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action under this Agreement or any other Loan Document. The Agent shall not be required to keep informed as to the performance or observance by the Borrowers of this Agreement, the other Loan Documents or any other document referred to or provided for herein or therein or by any other Person of any other agreement or to make inquiry of, or to inspect the properties or books of, any Person. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning any person which may come into the possession of the Agent or any of its affiliates. Each Bank shall have access to all documents relating to the Agent's performance of its duties hereunder at such Bank's request. Unless any Bank shall promptly object to any action taken by the Agent hereunder (other than actions to which the provisions of 15.8 are applicable and other than actions which constitute gross negligence or willful misconduct by the Agent), such Bank shall conclusively be presumed to have approved the same.

15.7. Resignation of Agent. The Agent may resign at any time by giving 60 days prior written notice thereof to the Banks and the Borrowers. Upon any such resignation, the Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Banks and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a financial institution having a combined capital and surplus in excess of $150,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation, the provisions of this Agreement shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent. Any new Agent appointed pursuant to this 15.7 shall

immediately issue new Letters of Credit in place of Letters of Credit previously issued by the Agent.

15.8. Action by the Banks, Consents, Amendments, Waivers, Etc. Except as otherwise expressly provided in this 15.8, any action to be taken (including the giving of notice) may be taken or any consent or approval required or permitted by the Agreement or any other Loan Document to be given by the Banks may be given, and any term of this Agreement, any other Loan Document or any other instrument, document or agreement related to this Agreement or the other Loan Documents or mentioned therein may be amended and the performance or observance by the Borrowers or any other person of any of the terms thereof and any Default or Event of Default (as defined in any of the above-referenced documents or instruments) may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Required Banks; provided, however, that no such consent or amendment which affects the rights, duties or liabilities of the Agent shall be effective without the written consent of the Agent. Notwithstanding the foregoing, no amendment, waiver or consent shall, do any of the following unless in writing and signed by ALL of the Banks (a) increase the principal amount of the Total Commitment (or subject the Banks to any additional obligations), (b) reduce the principal of or interest on the Notes (including, without limitation, interest on overdue amounts) or any fees payable hereunder, (c) postpone any date fixed for any payment in respect of principal or interest (including, without limitation, interest on overdue amounts) on the Notes, or any fees payable hereunder; (d) change the definition of "Required Banks" or number of Banks which shall be required for the Banks or any of them to take any action under the Loan Documents; (e) amend this 15.8; (f) change the Commitment Percentage of any Bank, except as permitted under 19 hereof; or (g) except as otherwise permitted hereunder, release any Collateral.

15.9. Co-Agents. None of the Banks identified on the cover page of this Agreement as a "Co-Agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Banks as such. Without limiting the foregoing, none of the Banks so identified as a "Co-Agent" shall have or be deemed to have any fiduciary relationship with any Bank. Each Bank acknowledges that it has not relied, and will not rely, on any of the Banks so identified in deciding to enter into this Agreement or not taking action hereunder.

16. EXPENSES. Whether or not the transactions contemplated herein shall be consummated, the Borrowers hereby promise to (a) reimburse Agent as well as the Agent's affiliates for all reasonable out-of-pocket fees and disbursements (including all reasonable attorneys' fees, collateral evaluation costs and Consulting Engineer's fees), incurred or expended in connection with the preparation, filing or recording, or interpretation of this Agreement, the other Loan Documents, or any amendment, modification, approval, consent or waiver hereof or thereof, or with the enforcement of any Obligations or the satisfaction of any indebtedness of the Borrowers hereunder or thereunder, or in connection with any litigation, proceeding or dispute hereunder in any way related to the credit hereunder and (b) reimburse all reasonable out-of-pocket fees and disbursements (including all reasonable attorneys' fees) incurred by any Bank in connection with the enforcement of or preservation of rights under any of the Loan Documents against the Borrowers or the administration thereof after the occurrence of a Default or Event of Default and (ii) any litigation, proceeding or dispute hereunder in any way related to the credit hereunder. The Borrowers will pay any taxes (including any interest and penalties in respect thereof) other than the Banks' federal and state income taxes, payable on or with respect to the transactions contemplated by this Agreement (the Borrowers hereby agreeing to indemnify the Banks with respect thereto).

17. INDEMNIFICATION. The Borrowers agree to indemnify and hold harmless the Agent and the Banks, as well as the Agent's and the Banks' shareholders, directors, agents, officers, subsidiaries and affiliates, from and against all damages, losses, settlement payments, obligations, liabilities, claims, suits, penalties, assessments, citations, directives, demands, judgments, actions or causes of action, whether statutory created or under the common law, and reasonable costs and expenses incurred, suffered, sustained or required to be paid by an indemnified party by reason of or resulting from the transactions contemplated hereby, except any of the foregoing which result from the gross negligence or willful misconduct of the indemnified party. In any investigation, proceeding or litigation, or the preparation therefor, each Bank shall be entitled to select its own counsel and, in addition to the foregoing indemnity,

the Borrowers agree to pay promptly the reasonable fees and expenses of such counsel. In the event of the commencement of any such proceeding or litigation, the Borrowers shall be entitled to participate in such proceeding or litigation with counsel of their choice at their expense, provided that such counsel shall be reasonably satisfactory to the Banks. The covenants of this 17 shall survive payment or satisfaction of payment of amounts owing with respect to the Notes or any other Loan Document.

18. SURVIVAL OF COVENANTS, ETC. Unless otherwise stated herein, all covenants, agreements, representations and warranties made herein, in the other Loan Documents or in any documents or other papers delivered by or on behalf of the Borrowers pursuant hereto shall be deemed to have been relied upon by the Banks and the Agent, notwithstanding any investigation heretofore or hereafter made by any of them, and shall survive the making by the Banks of the Loans and the issuance, extension or renewal of any Letters of Credit, as herein contemplated, and shall continue in full force and effect so long as any amount due under this Agreement, any Letter of Credit or the Notes remains outstanding and unpaid or any Bank has any obligation to make any Loans or issue any Letters of Credit hereunder. All statements contained in any certificate or other paper delivered by or on behalf of the Borrowers pursuant hereto or in connection with the transactions contemplated hereby shall constitute representations and warranties by the Borrowers hereunder.

19. SYNDICATION AND PARTICIPATION. It is understood and agreed that each Bank shall have the right to assign at any time its portion of the Total Commitment and interests in the risk relating to any Loans in an amount equal to or greater than $5,000,000, to additional banks or other financial institutions acceptable to Agent and Parent (unless an assignment is to a Bank or to an affiliate of a Bank (so long as such assignment would not result in increased costs to the Borrowers hereunder), in which case acceptance by the Agent and the Parent shall not be necessary), which acceptances shall not be unreasonably withheld, so long as (1) BankBoston will be the Agent hereunder, and that each bank or other financial institution which executes and delivers to the Banks and the Borrowers hereunder a counterpart joinder in form and substance satisfactory to the Banks and such bank or financial institution shall, on the date specified in such counterpart joinder, become a party to this Agreement and the other Loan Documents for all purposes of this Agreement and the other Loan Documents, and its Commitment shall be as set forth in such counterpart joinder. Upon the execution and delivery of such counterpart joinder, (a) the Borrowers shall issue to the bank or other financial institution Notes in the amount of such bank's or other financial institution's Commitment dated the Closing Date or such other date as may be specified by the Agent and otherwise completed in substantially the form of the Notes executed and delivered on the Closing Date; (b) the Agent shall distribute to the Borrowers, the Banks and such bank or financial institution a schedule reflecting such changes; (c) this Agreement shall be appropriately amended to reflect (i) the status of such bank or financial institution as a party hereto and (ii) the status and rights of the Banks and Agent hereunder; (d) the Borrowers shall take such action as the Agent may reasonably request to perfect any security interests or mortgages in favor of the Banks, including any bank or financial institution which becomes a party to this Agreement; and (e) the assignee bank or financial institution shall pay a processing and recordation fee of $2,500 to the Agent. Each Bank shall also have the right to grant participations to one or more banks or other financial institutions in or to all or any part of any Loans owing to such Bank and the Note held by such Bank. The documents evidencing any such participation may provide that, except with the consent of the bank or financial institution that is a party thereto, such Bank will not consent to (a) the reduction in or forgiveness of the stated principal of or rate of interest on or Commitment Fee with respect to the portion of any Loan subject to such participation or assignment, (b) the extension or postponement of any stated date fixed for payment of principal or interest or Commitment Fee with respect to the portion of any Loan subject to such participation or assignment, or (c) the waiver or reduction of any right to indemnification of such Bank hereunder, or (d) except as otherwise permitted hereunder, the release of any Collateral; provided that such participating Bank shall not have more rights then those set forth in this sentence. Notwithstanding the foregoing, no syndication, assignment or participation shall operate to increase the Total Commitment hereunder or reduce the Commitment of any Bank to be an amount less than $5,000,000 or otherwise alter the substantive terms of this Agreement. Anything contained in this 19 to the contrary notwithstanding, any Bank may at any time pledge all or any portion of its interest and rights under this Agreement (including all or any portion of its Notes) to any of the twelve Federal Reserve Banks organized under 4 of the Federal Reserve Act, 12 U.S.C. 341. No such pledge or the enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents.

20. PARTIES IN INTEREST. All the terms of this Agreement and the other Loan Documents shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto and thereto; provided, that no Borrower shall assign or transfer its rights hereunder without the prior written consent of the Banks.

21. NOTICES, ETC. Except as otherwise expressly provided in this Agreement, all notices and other communications made or required to be given pursuant to this Agreement or the other Loan Documents shall be in writing and shall be delivered in hand, mailed by United States first- class mail, postage prepaid, or sent by telegraph, telex or telecopier and confirmed by letter, addressed as follows:

(a) if to the Borrowers, at 25 Greens Hill Lane, P.O. Box 866, Rutland, Vermont 05701, Attention: President, telecopy number 802-775-6198;

(b) if to the Agent or BankBoston, at 100 Federal Street, Boston, Massachusetts 02110, USA, Attention: Arthur J. Oberheim, Vice President, telecopy number 617-434-2160;

or such other address for notice as shall have last been furnished in writing to the Person giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (a) if delivered by hand to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer, (b) if sent by registered or certified first-class mail, postage prepaid, five Business Days after the posting thereof, and (c) if sent by telex or cable, at the time of the dispatch thereof, if in normal business hours in the country of receipt, or otherwise at the opening of business on the following Business Day.

22. MISCELLANEOUS. The rights and remedies herein expressed are cumulative and not exclusive of any other rights which the Banks or Agent would otherwise have. The captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof. This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

23. ENTIRE AGREEMENT, ETC. The Loan Documents and any other documents executed in connection herewith or therewith express the entire understanding of the parties with respect to the transactions contemplated hereby. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in 15.8. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. No course of dealing or omission on the part of the Agent or any Bank in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. No notice to or demand upon the Borrowers shall entitle the Borrowers to other or further notice or demand in similar or other circumstances.

24. WAIVER OF JURY TRIAL. EACH OF THE BORROWERS HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR ANY OF THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. EXCEPT AS PROHIBITED BY LAW, EACH BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN THE PRECEDING SENTENCE ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. THE BORROWERS (a) CERTIFY THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OR ANY BANK OF THE AGENT HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH BANK OR THE AGENT WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS AND (b) ACKNOWLEDGE THAT THE AGENT AND THE BANKS HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY BECAUSE OF, AMONG OTHER THINGS, THE BORROWERS' WAIVERS AND CERTIFICATIONS CONTAINED HEREIN.

25. GOVERNING LAW. THIS AGREEMENT AND, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED THEREIN, EACH OF THE OTHER LOAN DOCUMENTS ARE CONTRACTS UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SAID COMMONWEALTH (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWERS CONSENT TO THE JURISDICTION OF ANY OF THE FEDERAL OR STATE COURTS LOCATED IN THE COMMONWEALTH OF MASSACHUSETTS IN CONNECTION WITH ANY SUIT TO ENFORCE THE RIGHTS OF ANY BANK OR THE AGENT UNDER THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS.

26. SEVERABILITY. The provisions of this Agreement are severable and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

27. TRANSITIONAL ARRANGEMENTS.

27.1. August, 1997 Credit Agreement Superseded. This Agreement shall restate and supersede and replace the August, 1997 Credit Agreement in its entirety, except as provided in this 27. On the Closing Date, the rights and obligations of the parties under the August, 1997 Credit Agreement and the "Notes" as defined therein shall be subsumed within and be governed by this Agreement and the Notes issued hereunder. All "Revolving Credit Loans", "Term Loans" or "Letters of Credit" (as defined in the August, 1997 Credit Agreement) outstanding under the August, 1997 Credit Agreement on the Closing Date shall become Revolving Credit Loans or Letters of Credit hereunder. The Banks' interest in such Loans and participation in such Letters of Credit will be reallocated on the Closing Date in accordance with each Banks' applicable Commitment Percentage.

27.2. Interest and Fees Under Prior Credit Agreement. All interest and all commitment, facility and other fees and expenses owing or accruing under or in respect of the August, 1997 Credit Agreement shall be calculated as of the Closing Date (prorated in the case of any fractional periods), and shall be paid on the Closing Date in accordance with the terms of the August, 1997 Credit Agreement.

28. PARI PASSU TREATMENT. Notwithstanding anything to the contrary set forth herein, each payment or prepayment of principal and interest received after the occurrence of an Event of Default hereunder shall be distributed pari passu among the Banks, in accordance with the aggregate outstanding principal amount of the Obligations owing to each Bank divided by the aggregate outstanding principal amount of all Obligations.

IN WITNESS WHEREOF, the undersigned have duly executed this Amended and Restated Revolving Credit Agreement under seal as of the date first set forth above.

BANKBOSTON, N.A., individually
and as Agent

By:
Name:

Title:

KEYBANK NATIONAL ASSOCIATION,
individually and as Co-Agent

By:
Name:

Title:

USTRUST

By:
Name:

Title:

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION individually and as Co-Agent

By:
Name:

Title:

COMERICA BANK

By:
Name:

Title:

[SIGNATURES CONTINUED ON NEXT PAGE]

CASELLA WASTE SYSTEMS, INC.

NEW ENGLAND WASTE SERVICES OF VERMONT, INC.

NEWBURY WASTE MANAGEMENT, INC.

NEW ENGLAND WASTE SERVICES OF N.Y., INC.

CASELLA WASTE MANAGEMENT OF N.Y., INC.

CASELLA WASTE MANAGEMENT OF PENNSYLVANIA, INC.

By:
Name: John W. Casella

Title: President of each of the companies listed above

[SIGNATURES CONTINUED ON NEXT PAGE]

CASELLA WASTE MANAGEMENT, INC.

NEW ENGLAND WASTE SERVICES, INC.

BRISTOL WASTE MANAGEMENT, INC.

SUNDERLAND WASTE MANAGEMENT, INC.

NORTH COUNTRY ENVIRONMENTAL SERVICES, INC.

SAWYER ENVIRONMENTAL RECOVERY FACILITIES, INC.

SAWYER ENVIRONMENTAL SERVICES

CASELLA T.I.R.E.S., INC.

HIRAM HOLLOW REGENERATION CORP.

By:
Name: John W. Casella

Title: Vice President/Secretary of each of the companies listed above

ALL CYCLE WASTE, INC.

WINTERS BROTHERS, INC.

By:
Name: John W. Casella

Title: of each of the companies listed above

BOS-BUSN:552657.1

EXHIBIT A

[AMENDED AND RESTATED]
REVOLVING CREDIT NOTE

$_____
January 12, 1998

FOR VALUE RECEIVED, the undersigned CASELLA WASTE SYSTEMS, INC., a Delaware corporation, CASELLA WASTE MANAGEMENT, INC., a Vermont corporation, NEW ENGLAND WASTE SERVICES, INC., a Vermont corporation, NEW ENGLAND WASTE SERVICES OF VERMONT, INC., a Vermont corporation, BRISTOL WASTE MANAGEMENT, INC., a Vermont corporation, SUNDERLAND WASTE MANAGEMENT, INC., a Vermont corporation, NEWBURY WASTE MANAGEMENT, INC., a Vermont corporation, NORTH COUNTRY ENVIRONMENTAL SERVICES, INC., a Virginia corporation, SAWYER ENVIRONMENTAL RECOVERY FACILITIES, INC., a Maine corporation, SAWYER ENVIRONMENTAL SERVICES, a Maine corporation, CASELLA T.I.R.E.S., INC., a Maine corporation, NEW ENGLAND WASTE SERVICES OF N.Y., INC., a New York corporation, CASELLA WASTE MANAGEMENT OF N.Y., INC., a New York corporation, CASELLA WASTE MANAGEMENT OF PENNSYLVANIA, INC., a Pennsylvania corporation, Hiram Hollow Regeneration Corp., a New York corporation, ALL CYCLE WASTE, INC., a Vermont corporation, and WINTERS BROTHERS, INC., a Vermont corporation, (collectively, the "Borrowers"), hereby jointly and severally promise to pay to the order of [INSERT NAME OF PAYEE BANK HERE], a

[Insert entity] (the "Bank") at the Agent's head office at 100 Federal Street, Boston, Massachusetts 02110:

(a) on the Revolving Credit Maturity Date the principal amount of _____ Dollars ($_____) or, if less, the aggregate unpaid principal amount of Revolving Credit Loans advanced by the Bank to the Borrowers pursuant to the Amended and Restated Revolving Credit Agreement dated as of January 12, 1998 (as amended and in effect from time to time, the "Credit Agreement"), among the Borrowers, the Bank, the other Banks which are or may become parties thereto, and BankBoston, N.A., as agent (in such capacity, the "Agent") for the Banks; and

(b) interest on the principal balance hereof from time to time outstanding from the Closing Date through and including the date on which such principal amount is paid in full, at the times and at the rates provided in the Credit Agreement.

[This Note is one of the Notes that replaces the six (6) Revolving Credit Notes, the six (6) Series A Term Notes and the three (3) Series B Term Notes, all dated as of August 7, 1997 (collectively, the "August, 1997 Notes"), from the Borrowers to certain of the Banks, and is issued in partial substitution for, and not in payment of, such August, 1997 Notes.] This Note evidences borrowings under and has been issued by the Borrowers in accordance with the terms of the Credit Agreement. The Bank and any holder hereof is entitled to the benefits of the Credit Agreement, the Security Documents and the other Loan Documents, and may enforce the agreements of the Borrowers contained therein, and any holder hereof may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the respective terms thereof. All capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

Each of the Borrowers irrevocably authorizes the Bank to make or cause to be made, at or about the time of the Drawdown Date of any Revolving Credit Loan or at the time of receipt of any payment of principal of this Note, an appropriate notation on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, reflecting the making of such Revolving Credit Loan or (as the case may be) the receipt of such payment. The outstanding amount of the Revolving Credit Loans set forth on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, maintained by the Bank with respect to any Revolving Credit Loans shall be prima facie evidence of the principal amount thereof owing and unpaid to the Bank, but the failure to record, or any error in so recording, any such amount on any such grid, continuation or other record shall not limit or otherwise affect the obligation of the Borrower hereunder or under the Credit Agreement to make payments of principal of and interest on this Note when due.

The Borrowers have the right in certain circumstances and the obligation under certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

No delay or omission on the part of the Bank or any holder hereof in exercising any right hereunder shall operate as a waiver of such right or of any other rights of the Bank or such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar or waiver of the same or any other right on any further occasion.

Each of the Borrowers and every endorser and guarantor of this Note or the obligation represented hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

THIS NOTE AND THE OBLIGATIONS OF THE BORROWERS HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). EACH OF THE BORROWERS AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS

OR ANY FEDERAL COURT SITTING THEREIN AND THE CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER BY MAIL AT THE ADDRESS SPECIFIED IN 21 OF THE CREDIT AGREEMENT. EACH OF THE BORROWERS HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

This Note shall be deemed to take effect as a sealed instrument under the laws of the Commonwealth of Massachusetts.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned has caused this [Amended and Restated] Revolving Credit Note to be signed in its corporate name and its corporate seal to be impressed thereon by its duly authorized officer as of the day and year first above written.

[Corporate Seal]

CASELLA WASTE SYSTEMS, INC.

NEW ENGLAND WASTE SERVICES OF VERMONT, INC.

NEWBURY WASTE MANAGEMENT, INC.

NEW ENGLAND WASTE SERVICES OF N.Y., INC.

CASELLA WASTE MANAGEMENT OF N.Y., INC.

CASELLA WASTE MANAGEMENT OF PENNSYLVANIA, INC.

By:
Name: John W. Casella
Title: President of each of the companies listed above

[SIGNATURES CONTINUED ON NEXT PAGE]

CASELLA WASTE MANAGEMENT, INC.

NEW ENGLAND WASTE SERVICES, INC.

BRISTOL WASTE MANAGEMENT, INC.

SUNDERLAND WASTE MANAGEMENT, INC.

NORTH COUNTRY ENVIRONMENTAL SERVICES, INC.

SAWYER ENVIRONMENTAL RECOVERY FACILITIES, INC.

SAWYER ENVIRONMENTAL SERVICES

CASELLA T.I.R.E.S., INC.

HIRAM HOLLOW REGENERATION CORP.

By:
Name: John W. Casella
Title: Vice President/Secretary of each of the companies listed above

ALL CYCLE WASTE, INC.

WINTERS BROTHERS, INC.

By:
Name: John W. Casella
Title: of each of the companies listed above

BOS-BUS:470101

Date	Amount of Loan	Amount of Principal Paid or Prepaid	Balance of Principal Unpaid	Notation Made By:

BOS-BUS:470101

EXHIBIT B

FORM OF LOAN AND LETTER OF CREDIT REQUEST

CASELLA WASTE SYSTEMS, INC. (the "Parent")
and
the Subsidiaries of the Parent listed on Schedule 1 to the Amended and Restated
Revolving Credit Agreement (the "Credit Agreement")
dated as of January 12, 1998

Revolving Credit Loan Request under Section 2.6(a)

Amount of this Loan Request $
Outstanding Revolving Credit Loans $
Outstanding Letters of Credit $

Total of All Outstanding Revolving Credit Loans $

Requested Revolving Credit Loans,

Outstanding Letters of Credit and
Requested Letters of Credit

Funding Date

Interest Period (if a Eurodollar Rate Loan)

Letter of Credit Request
Under Section 3.1

Outstanding Letters of Credit
Amount of this Request (from attached Letter of Credit Application)

Total (must be less than $25,000,000)

I certify that the above is true and correct, and that all of the conditions set forth in 11 of the Credit Agreement have been satisfied as of the date hereof.

By:

Date: _____

BOS-BUS:470101

EXHIBIT D

FORM OF COMPLIANCE CERTIFICATE

CASELLA WASTE SYSTEMS, INC.
Compliance Certificate dated _____

I, _____, Chief Financial Officer of Casella Waste Systems, Inc., certify that the Borrowers are in compliance with 7, 8 and 9 of the Amended and Restated Revolving Credit Agreement dated as of January 12, 1998, as the same may be amended, [as of the end of the quarter dated _____] [giving effect to the acquisition of _____]. Computations to evidence such compliance are detailed below.

Chief Financial Officer

8.3(h) Other Investments

The following is a description of all other Investments by the Borrowers pursuant to 8.3(h) of the Credit Agreement:

Description	Amount
TOTAL	$
Maximum Allowed	$500,000

8.8 Capital Expenditures

Total Capital Expenditures for period of four (4) consecutive fiscal quarters then ended	$	(a)
Sum of depreciation and landfill amortization expense for such period	$	(b)

(a) shall not exceed 2 times (b) at any time

9.1 Interest Coverage Ratio

For the period of four (4) consecutive fiscal quarters then ended:

Consolidated Net Income or Deficit	$	
Plus: Interest Expense	$	
Income Taxes	$	
Amortization Expense	$	
Depreciation Expense	$	
EBITDA	$	(a)
Consolidated Total Interest Expense	$	(b)
Ratio of (a) to (b)		
Minimum Required	3.5:1	

9.2 Profitable Operations

Consolidated Net Income for the quarter ending on the statement date	$	

Requirement: Consolidated Net Income shall be greater than or equal to $0 in any quarter.

9.3 Funded Debt-to-EBITDA Ratio

Indebtedness for borrowed money and capitalized leases ("Consolidated Funded Indebtedness")	$	(a)
Consolidated Net Income*	$	
Plus: Interest Expense*	$	
Income Taxes*	$	
Amortization Expense*	$	
Depreciation Expense*	$	

EBITDA (annualized, if necessary*)	$	(b)
Ratio of (a) to (b)	$	
Maximum Allowed	3.75:1 (Closing - 4/30/99) 3.50:1 (thereafter)	

* EBITDA calculations shall be based on the period of four (4) consecutive fiscal quarters then ended; provided that for purposes of calculating the Consolidated Funded Indebtedness to EBITDA ratio (a) for (i) the fiscal quarter ending July 31, 1997, EBITDA shall be deemed equal to four (4) times EBITDA for the three month period then ended, (ii) the fiscal quarter ending October 31, 1997, EBITDA shall be deemed equal to two (2) times EBITDA for the six month period then ended and (iii) the fiscal quarter ending January 31, 1998, EBITDA shall be deemed equal to one and one-third (1-1/3) times EBITDA for the nine month period then ended and (b) the financial results of any businesses acquired after May 1, 1997 by the Borrowers during such fiscal period shall be included in the calculation of EBITDA so long as (i) the acquired business had annual revenue of at least $5,000,000 for the most recent fiscal year, (ii) the Agent is satisfied that the financial information for the acquired business fairly presents the financial condition of such business and (iii) the Agent receives a letter in form and substance satisfactory to the Banks from the Borrowers' Accountants as to adjustments for non-recurring expenses.

9.4 Funded Debt to Capitalization

For the fiscal quarter then ended:

Consolidated Funded Indebtedness (See (a) of 9.3 above)	$	(a)
The sum of:		
Consolidated Funded Indebtedness	$	
Plus: shareholder's equity in the Parent	$	
Total	$	(b)
Ratio of (a) to (b)		
Maximum Allowed	0.60:1.00	

1.1 "Pricing Ratio"

Indebtedness for borrowed money and capitalized leases	$	(a)
EBITDA for such period (See (a) of 9.1 above)	$	(b)
Ratio of (a) to (b)		

Capitalized Interest Expense

For quarter ended _____	$
Year to date	$

Cash Taxes Paid by the Borrowers

For quarter ended _____	$

Year to date $

EXHIBIT E

FORM OF ENVIRONMENTAL COMPLIANCE CERTIFICATE

I, _____, the Chief Operating Officer of Casella Waste Systems, Inc., Casella Waste Management, Inc., New England Waste Services, Inc., New England Waste Services of Vermont, Inc., Bristol Waste Management, Inc., Sunderland Waste Management, Inc., Newbury Waste Management, Inc., North Country Environmental Services, Inc., Sawyer Environmental Recovery Facilities, Inc., Sawyer Environmental Services, Casella T.I.R.E.S., Inc., New England Waste Services of N.Y., Inc., Casella Waste Management of N.Y., Inc., Casella Waste Management of Pennsylvania, Inc., Hiram Hollow Regeneration Corp., All Cycle Waste, Inc. and Winters Brothers, Inc. (collectively, the "Borrowers"), hereby certify that, as of the date hereof:

a. Each of the Borrowers is in material compliance with all Environmental Laws (as defined in the Amended and Restated Revolving Credit Agreement (as amended and in effect from time to time, the "Credit Agreement") dated as of January 12, 1998 among the Borrowers, BankBoston, N.A. ("BankBoston") and the other Banks which are or may become parties thereto and BankBoston, as Agent for the Banks);

b. Each of the Borrowers possesses all material permits necessary for the operation of its business, such permits are in full force and effect, and the Borrowers have no knowledge of any circumstances which might lead to the revocation, suspension, or other loss of any such permit; and

c. The representations and warranties contained in 6.16 of the Credit Agreement are true and correct.

Name:
Title:Chief Operating Officer

_____
Date

EXHIBIT F

FORM OF
SUBORDINATION AGREEMENT

SUBORDINATION AGREEMENT (the "Agreement") dated as of _____, ____, between BANKBOSTON, N.A., as Agent for BankBoston, N.A., US Trust, KeyBank National Association, Bank of America National Trust and Savings Association, Comerica Bank and the other Banks that become party to the Credit Agreement defined below (collectively, the "Banks"); _____ (the "Subordinating Creditor"), and [_____, a _____ corporation] with a principal place of business in Rutland, Vermont (the "Borrower"). WHEREAS, the Banks have, pursuant to an Amended and Restated Revolving Credit Agreement dated as of January 12, 1998 (as amended, modified, supplemented, restated, amended and restated and in effect from time to time, including any replacement agreement therefor, the "Credit Agreement") agreed, upon the terms and subject to the conditions contained therein, to make loans and otherwise to extend

credit to the Borrower and Casella Waste Systems, Inc. (the "Parent"), New England Waste Services, Inc., New England Waste Services of Vermont, Inc., New England Waste Services of N.Y., Inc., Bristol Waste Management, Inc., Sunderland Waste Management, Inc., Newbury Waste Management, Inc., North Country Environmental Services, Inc., Sawyer Environmental Services, Sawyer Environmental Recovery Facilities, Inc., Hiram Hollow Regeneration Corp., Casella T.I.R.E.S., Inc., Casella Waste Management of N.Y., Inc., Casella Waste Management of Pennsylvania, Inc., All Cycle Waste, Inc., Winters Brothers, Inc. and other Subsidiaries of the Parent that may become parties to the Credit Agreement (collectively, the "Bank Borrowers"); and

WHEREAS, the Subordinating Creditor has agreed to extend credit to the Borrower pursuant to a Promissory Note dated as of _____, ____ in effect from time to time, (the "Subordinated Agreement"), between the Subordinating Creditor and the Borrower; and

WHEREAS, it is a condition precedent to the Banks willingness to make loans and otherwise to extend credit to the Bank Borrowers pursuant to the Credit Agreement that the Borrower and the Subordinating Creditor enter into this Agreement with the Agent;

WHEREAS, in order to induce the Banks to make loans and otherwise extend credit to the Bank Borrowers pursuant to the Credit Agreement, the Borrower and the Subordinating Creditor have agreed to enter into this Agreement with the Agent;

NOW, THEREFORE, in consideration of the foregoing, the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions. Terms not otherwise defined herein have the same respective meanings given to them in the Credit Agreement. In addition, the following terms shall have the following meanings:

Senior Debt. All principal, interest, fees, costs, enforcement expenses (including legal fees and disbursements), collateral protection expenses and other reimbursement or indemnity obligations created or evidenced by the Credit Agreement or any of the other Loan Documents or any prior concurrent, or subsequent notes, instruments or agreements of indebtedness, liabilities or obligations of any type or form whatsoever relating thereto in favor of the Agent of any of the Banks. Senior Debt shall expressly include (a) any and all interest accruing or out of pocket costs or expenses incurred after the date of any filing by or against the Bank Borrowers or any petition under the federal Bankruptcy Code or any other bankruptcy, insolvency or reorganization act regardless of whether the Agent's or any Bank's claim therefor is allowed or allowable in the case or proceeding relating thereto, and (b) any credit facilities extended to the Bank Borrowers to refinance or refund any of the Senior Debt.

Subordinated Debt. All principal, interest, fees, costs, enforcement expenses (including legal fees and disbursements), collateral protection expenses and other reimbursement and indemnity obligations created or evidenced by the Subordinated Agreement or any prior, concurrent or subsequent notes, instruments or agreements of indebtedness, liabilities or obligations of any type or form whatsoever relating thereto in favor of the Subordinating Creditor.

Subordinated Documents. Collectively, the Subordinated Agreement, any promissory notes executed in connection therewith and any and all guarantees and security interests, mortgages and other liens directly or indirectly guarantying or securing any of the Subordinated Debt, and any and all other documents or instruments evidencing or further guarantying or securing directly or indirectly any of the Subordinated Debt, whether now existing or hereafter created.

2. General. The Subordinated Debt and any and all Subordinated Documents shall be and hereby are subordinated and the payment thereof is deferred until the full and final payment in cash of the Senior Debt, whether now or hereafter incurred or owed by the Bank Borrowers. Notwithstanding the immediately preceding sentence, the Borrower shall be permitted to pay, and the Subordinating Creditor shall be permitted to receive, any regularly scheduled payment of interest or principal on the Subordinated Debt so long as at the time of such payment, or after giving effect thereto, no Default or Event of Default has occurred and is continuing under the Credit Agreement or would occur after

giving effect thereto.

3. Enforcement. The Subordinating Creditor will not take or omit to take any action or assert any claim with respect to the Subordinated Debt or otherwise which is inconsistent with the provisions of this Agreement. Without limiting the foregoing, the Subordinated Creditor will not assert, collect or enforce the Subordinated Debt or any part thereof or take any action to foreclose or realize upon the Subordinated Debt or any part thereof or enforce any of the Subordinated Documents except (a) in each such case as necessary, so long as no Default or Event of Default has occurred and is then continuing under the Credit Agreement or would occur after giving effect thereto, to collect any sums expressly permitted to be paid by the Borrower pursuant to 2 hereof, or (b) to the extent (but only to such extent) that the commencement of a legal action may be required to toll the running of any applicable statute of limitation. Until the Senior Debt has been finally paid in full in cash, the Subordinating Creditor shall not have any right of subrogation, reimbursement, restitution, contribution or indemnity whatsoever from any assets of the Borrower, any other Bank Borrower or any guarantor of or provider of collateral security for the Senior Debt. The Subordinating Creditor further waives any and all rights with respect to marshalling.

4. Payments Held in Trust. The Subordinating Creditor will hold in trust and immediately pay over to the Agent for the account of the Banks, in the same form of payment received, with appropriate endorsements, for application to the Senior Debt any cash amount that the Borrower or any other Bank Borrower pays to the Subordinating Creditor with respect to the Subordinated Debt, or as collateral for the Senior Debt any other assets of the Borrower or any other Bank Borrower that the Subordinating Creditor may receive with respect to the Subordinated Debt in each case except with respect to payments expressly permitted pursuant to 2 hereof.

5. Defense to Enforcement. If the Subordinating Creditor, in contravention of the terms of this Agreement, shall commence, prosecute or participate in any suit, action or proceeding against the Borrower, then the Borrower may interpose as a defense or plea the making of this Agreement, and the Agent or any Bank may intervene and interpose such defense or plea in its name or in the name of the Borrower. If the Subordinating Creditor, in contravention of the terms of this Agreement, shall attempt to collect any of the Subordinated Debt or enforce any of the Subordinated Documents, then the Agent, any Bank or the Borrower may, by virtue of this Agreement, restrain the enforcement thereof in its name or in the name of the Borrower. If the Subordinating Creditor, in contravention of the terms of this Agreement, obtains any cash or other assets of the Borrower or any other Bank Borrower as a result of any administrative, legal or equitable actions, or otherwise, the Subordinating Creditor agrees forthwith to pay, deliver and assign to the Agent, for the account of the Banks, with appropriate endorsements, any such cash for application to the Senior Debt and any such other assets as collateral for the Senior Debt.

6. Bankruptcy, etc.

6.1 Payments Relating to Subordinated Debt. At any meeting of creditors of the Borrower or in the event of any case or proceeding, voluntary or involuntary, for the distribution, division or application of all or part of the assets of the Borrower or the proceeds thereof, whether such case or proceeding be for the liquidation, dissolution or winding up of the Borrower or its business, a receivership, insolvency or bankruptcy case or proceeding, an assignment for the benefit of creditors or a proceeding by or against the Borrower for relief under the federal Bankruptcy Code or any other bankruptcy, reorganization or insolvency law or any other law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension or marshalling of assets or otherwise, the Agent is hereby irrevocably authorized at any such meeting or in any such proceeding to receive or collect for the benefit of the Banks any cash or other assets of the Borrower distributed, divided or applied by way of dividend or payment, or any securities issued on account of any Subordinated Debt, and apply such cash to or to hold such other assets or securities as collateral for the Senior Debt, and to apply to the Senior Debt any cash proceeds of any realization upon such other assets or securities that the Agent in its discretion elects to effect, until all of the Senior Debt shall have been paid in full in cash, rendering to the Subordinating Creditor any surplus to which the Subordinating Creditor is then entitled.

6.2 Securities by the Plan of Reorganization or Readjustment. Notwithstanding the foregoing provisions of 6.1, the Subordinating Creditor shall be entitled to receive and retain any securities of the Borrower or any other corporation or other entity provided for by a plan of reorganization or readjustment (i) the payment of which securities is subordinate, at least to the extent provided in this Agreement with respect to the Subordinated Debt, to the payment of all Senior Debt under any such plan of reorganization or readjustment and (ii) all other terms of which are acceptable to the Banks and the Agent.

6.3 Subordinated Debt Voting Rights. At any such meeting of creditors or in the event of any such case or proceeding, the Subordinating Creditor shall retain the right to vote and otherwise act with respect to the Subordinated Debt (including, without limitation, the right to vote to accept or reject any plan of partial or complete liquidation, reorganization, arrangement, composition or extension), provided that the Subordinating Creditor shall not vote with respect to any such plan or take any other action in any way so as to contest (i) the validity of any Senior Debt or any collateral therefor or guaranties thereof, (ii) the relative rights and duties of any holders of any Senior Debt established in any instruments or agreements creating or evidencing any of the Senior Debt with respect to any of such collateral or guaranties or (iii) the Subordinating Creditor's obligations and agreements set forth in this Agreement.

7. Lien Subordination. The Senior Debt, the Credit Agreement and the other Loan Documents and any and all other documents and instruments evidencing or creating the Senior Debt and all guaranties, mortgages, security agreements, pledges and other collateral guarantying or securing the Senior Debt or any part thereof shall be senior to the Subordinated Debt and all of the Subordinated Documents irrespective of the time of the execution, delivery or issuance of any thereof or the filing or recording for perfection of any thereof or the filing of any financing statement or continuation statement relating to any thereof.

7.1 Further Assurances. The Subordinating Creditor hereby agrees, upon request of the Agent at any time and from time to time, to execute such other documents or instruments as may be requested by the Agent further to evidence of public record or otherwise the senior priority of the Senior Debt as contemplated hereby.

7.2 Books and Records. The Subordinating Creditor further agrees to maintain on its books and records such notations as the Agent may reasonably request to reflect the subordination contemplated hereby and to perfect or preserve the rights of the Agent hereunder. A copy of this Agreement may be filed as a financing statement in any Uniform Commercial Code recording office.

7.3 Release of Guaranties and Collateral. Without limiting any of the rights of the Agent or any Bank under the Credit Agreement, the other Loan Documents or applicable law, in the event that the Agent releases or discharges any guaranties of the Senior Debt given by guarantors which have also guaranteed the Subordinated Debt or any security interests in, or mortgages or liens upon, any collateral securing the Senior Debt and also securing the Subordinated Debt, such guarantors or (as the case may be) such collateral shall thereupon be deemed to have been released from all such guaranties or security interests, mortgages or liens in favor of the Subordinating Creditor provided that any net cash proceeds received by the Borrower or such guarantor in connection with any sale or other disposition of assets in which such release or discharge is granted are applied, or are held for application, to the Senior Debt. The Subordinating Creditor agrees that, within ten (10) days following the Agent's written request therefor, the Subordinating Creditor will execute, deliver and file any and all such termination statements, mortgage discharges, lien releases and other agreements and instruments as the Agent reasonably deems necessary or appropriate in order to give effect to the preceding sentence. The Subordinating Creditor hereby irrevocably appoints the Agent, and its successors and assigns, and their respective officers, with full power of substitution, the true and lawful attorney(s) of the Subordinating Creditor for the purpose of effecting any such executions, deliveries and filings if and to the extent that the Subordinating Creditor shall have failed to perform such obligations pursuant to the foregoing provisions of this 7.3 within such ten (10) day period.

8. Banks' Freedom of Dealing. The Subordinating Creditor agrees, with respect to the Senior Debt and any and all collateral therefor or guaranties thereof, that the Bank Borrowers and the Banks may agree to increase the amount of the Senior Debt or otherwise modify the terms of any of the Senior Debt, and the Banks may grant extensions of the time of payment or performance to and make

compromises, including releases of collateral or guaranties, and settlements with the Bank Borrowers and all other persons, in each case without the consent of the Subordinating Creditor or the Borrower and without affecting the agreements of the Subordinating Creditor or the Borrower contained in this Agreement; provided, however, that nothing contained in this 8 shall constitute a waiver of the right of the Borrower itself to agree or consent to a settlement or compromise of a claim which the Agent or any Bank may have against the Borrower.

9. Modification or Sale of the Subordinated Debt. The Subordinating Creditor will not, at any time while this Agreement is in effect, modify any of the terms of any of the Subordinated Debt or any of the Subordinated Documents; nor will the Subordinating Creditor sell, transfer, pledge, assign, hypothecate or otherwise dispose of any or all of the Subordinated Debt to any person other than a person who agrees in a writing, satisfactory in form and substance to the Agent, to become a party hereto and to succeed to the rights and to bound by all of the obligations of the Subordinating Creditor hereunder. In the case of any such disposition by the Subordinating Creditor, the Subordinating Creditor will notify the Agent at least 10 days prior to the date of any of such intended disposition.

10. Borrower's Obligations Absolute. Nothing contained in this Agreement shall impair, as between the Borrower and the Subordinating Creditor, the obligation of the Borrower to pay to the Subordinating Creditor all amounts payable in respect of the Subordinated Debt as and when the same shall become due and payable in accordance with the terms thereof, or prevent the Subordinating Creditor (except as expressly otherwise provided in 3 or 6) from exercising all rights, powers and remedies otherwise permitted by Subordinated Documents and by applicable law upon a default in the payment of the Subordinated Debt or under any Subordinated Document, all, however, subject to the rights of the Agent and the Banks as set forth in this Agreement.

11. Termination of Subordination. This Agreement shall continue in full force and effect, and the obligations and agreements of the Subordinating Creditor and the Borrower hereunder shall continue to be fully operative, until all of the Senior Debt shall have been paid and satisfied in full in cash and such full payment and satisfaction shall be final and not avoidable. To the extent that the Bank Borrowers or any guarantor of or provider of collateral for the Senior Debt makes any payment on the Senior Debt that is subsequently invalidated, declared to be fraudulent or preferential or set aside or is required to be repaid to a trustee, receiver or any other party under any bankruptcy, insolvency or reorganization act, state or federal law, common law or equitable cause (such payment being hereinafter referred to as a "Voided Payment"), then to the extent of such Voided Payment, that portion of the Senior Debt that had been previously satisfied by such Voided Payment shall be revived and continue in full force and effect as if such Voided Payment had never been made. In the event that a Voided Payment is recovered from any Bank, an Event of Default shall be deemed to have existed and to be continuing under the Credit Agreement from the date of such Bank's initial receipt of such Voided Payment until the full amount of such Voided Payment is restored to such Bank. During any continuance of any such Event of Default, this Agreement shall be in full force and effect with respect to the Subordinated Debt. To the extent that the Subordinating Creditor has received any payments with respect to the Subordinated Debt subsequent to the date of any Bank's initial receipt of such Voided Payment and such payments have not been invalidated, declared to be fraudulent or preferential or set aside or are required to be repaid to a trustee, receiver, or any other party under any bankruptcy act, state or federal law, common law or equitable cause, the Subordinating Creditor shall be obligated and hereby agrees that any such payment so made or received shall be deemed to have been received in trust for the benefit of such Bank, and the Subordinating Creditor hereby agrees to pay to such Bank, upon demand, the full amount so received by the Subordinating Creditor during such period of time to the extent necessary fully to restore to such Bank the amount of such Voided Payment. Upon the payment and satisfaction in full in cash of all of the Senior Debt, which payment shall be final and not avoidable, this Agreement will automatically terminate without any additional action by any party hereto.

12. Notices. All notices and other communications which are required and may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient and effective in all respects if given in writing or telecopied, delivered or mailed by registered or certified mail, postage prepaid, as follows

If to the Agent BankBoston, N.A.
100 Federal Street
Boston, MA 02110
Attn: Arthur J. Oberheim,
Vice President
FAX: (617) 434-2160

If to the Subordinating Creditor:

Attn:
FAX: ( )

If to Borrower:[ ]
25 Greens Hill Lane
Rutland, VT 05701
FAX: (802) 775-6198

or such other address or addresses as any party hereto shall have designated by written notice to the other parties hereto. Notices shall be deemed given and effective upon the earlier to occur of (i) the third day following deposit thereof in the U.S. mail or (ii) receipt by the party to whom such notice is directed.

13. Governing Law. This agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts and shall be sealed instrument under such laws.

14. Waiver of Jury Trial. Each of the Subordinating Creditor and the Borrower each hereby waives its right to a jury trial with respect to any action or claim arising out of any dispute in connection with this Agreement, any rights or obligations hereunder or the performance of such rights and obligations hereunder or the performance of such rights and obligations. Except as prohibited by law, each of the Subordinating Creditor and the Borrower hereby waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. Each of the Subordinating Creditor and the Borrower (a) certifies that no representative, agent or attorney of the Agent has represented, expressly or otherwise, that the Agent would not in the event of litigation, seek to enforce the foregoing waivers and (b) acknowledges that the Agent has been induced to enter into this Agreement by, among other things, the waivers and certifications contained herein.

15. Miscellaneous. This Agreement may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought. The Agent may, in its sole and absolute discretion, waive any provisions of this Agreement benefiting the Agent and the Banks; provided, however, that such waiver shall be effective only if in writing and signed by the Agent and shall be limited to the specific provision or provisions expressly so waived. This Agreement shall be binding upon the successors and assigns of the Subordinating Creditor and the Borrower and shall inure to the benefit of the Banks, the Banks' successors and assigns, any lender or lenders refunding or refinancing any of the Senior Debt and their respective successors and assigns, but shall not otherwise create any rights or benefits for any third party. In the event that any lender or lenders refund or refinance any of the Senior Debt, the terms "Credit Agreement," "Loan Documents," "Event of Default" and the like shall refer mutatis mutandis to the agreements and instruments in favor of such lender or lenders and to the related definitions contained therein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

IN THE PRESENCE OF:

BANKBOSTON, N.A., as Agent

By:
Title:

[SUBORDINATED CREDITOR]

By:
Title:

[BORROWER]

By:
Title:

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF

At in said County on this ____ day of , ____, personally appeared, duly authorized agent of BANKBOSTON, N.A., and he acknowledged the above instrument, by him sealed and subscribed, to be his free act and deed and the free act and deed of BANKBOSTON, N.A.

Before me,

Notary Public

Commission Expires

STATE OF VERMONT
COUNTY OF

At in said County on this ____ day of , ____, personally appeared, duly authorized agent of _____, and he acknowledged the above instrument, by him sealed and subscribed, to be his free act and deed and the free act and deed of _____.

Notary Public

Commission Expires

STATE OF VERMONT
COUNTY OF

At in said County on this ____ day of , ____, personally appeared, duly authorized agent of _____, and he acknowledged the above instrument, by him sealed and subscribed, to be his free act and deed and the free act and deed of _____.

Notary Public

Commission Expires

SCHEDULE 1

SUBSIDIARIES OF THE PARENT WHICH ARE BORROWERS

Parent: Casella Waste Systems, Inc.,
a Delaware corporation
25 Greens Hill Lane
Rutland, Vermont 05701

Subsidiaries: Casella Waste Management, Inc.,
a Vermont corporation
25 Greens Hill Lane
Rutland, Vermont 05701

New England Waste Services, Inc.,
a Vermont corporation
25 Greens Hill Lane
Rutland, Vermont 05701

New England Waste Services of Vermont, Inc.,
a Vermont corporation
25 Greens Hill Lane
Rutland, Vermont 05701

North Country Environmental Services, Inc.,
a Virginia corporation
501 South Street, Box E, Suite 302
Bow, New Hampshire 03304

Newbury Waste Management, Inc.,
a Vermont corporation
25 Greens Hill Lane
Rutland, Vermont 05701

Bristol Waste Management, Inc.,
a Vermont corporation
25 Greens Hill Lane
Rutland, Vermont 05701

Sunderland Waste Management, Inc.,
a Vermont corporation
25 Greens Hill Lane
Rutland, Vermont 05701

Sawyer Environmental Recovery Facilities, Inc.,
a Maine Corporation
358 Emerson Mill Road
Hampden, Maine 04444

Sawyer Environmental Services,
a Maine corporation
358 Emerson Mill Road
Hampden, Maine 04444

Casella T.I.R.E.S., Inc.,
a Maine corporation
25 Greens Hill Lane
Rutland, Vermont 05701

New England Waste Services of N.Y., Inc.,
a New York corporation
Route 9, Saratoga Road

Fort Edward, New York 12828

Casella Waste Management of N.Y., Inc.,
  a New York corporation
Route 9, Saratoga Road
Fort Edward, New York 12828

Casella Waste Management of Pennsylvania, Inc.,
  a Pennsylvania corporation
25 Greens Hill Lane
Rutland, Vermont 05701

Hiram Hollow Regeneration Corp.,
  a New York corporation
100 Washburn Road
Gansevoort, New York 12831

All Cycle Waste, Inc.,
  a Vermont corporation
28 Avenue B
Williston, VT 05495

Winters Brothers, Inc.,
  a Vermont corporation
28 Avenue B
Williston, VT 05495

SCHEDULE 2

Banks' Commitment Percentages

BankBoston	31.6667%
KeyBank	20.0000%
USTrust	15.0000%
Bank of America	20.0000%
Comerica Bank	13.3333%
	100.0000%

Exhibit 10.23

REGISTRATION RIGHTS AGREEMENT

This Agreement dated as of December 19, 1997 is entered into by and among Casella Waste Systems, Inc., a Delaware corporation (the "Buyer"), and the persons listed on Schedule I attached hereto (the "Company Stockholders").

WHEREAS, the Buyer, JC Acquisition, Inc. and WB Acquisition, Inc., each a Vermont corporation and a wholly-owned subsidiary of the Buyer, All Cycle Waste, Inc., a Vermont corporation, and Winters Brothers, Inc., a Vermont corporation, and the Company Stockholders have entered into an Agreement and Plan of Merger of even date herewith (the "Merger Agreement"), pursuant to which the Company Stockholders will receive shares of Common Stock (as defined below) as a result of the Mergers (as defined in the Merger Agreement); and

WHEREAS, the Buyer and the Company Stockholders desire to provide for certain arrangements with respect to the registration under the Securities Act of 1933 of certain of the shares of the Common Stock received by the Company Stockholders in the Mergers;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties hereto agree as follows:

1. Certain Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

"Commission" means the Securities and Exchange Commission, or any other Federal agency at the time administering the Securities Act.

"Common Stock" means the Class A Common Stock, $.01 par value per share, of the Buyer.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar Federal statute, and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

"Registration Statement" means a registration statement filed by the Buyer with the Commission for a public offering and sale of Common Stock (other than a registration statement on Form S-8 or Form S-4, or their successors, or any other form for a similar limited purpose, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another corporation).

"Registration Expenses" means the expenses described in Section 5.

"Registrable Shares" means (i) the Shares (as defined below), and (ii) any other shares of Common Stock issued in respect of such Shares (because of stock splits, stock dividends, reclassifications, recapitalizations, or similar events); provided, however, that shares of Common Stock which are Registrable Shares shall cease to be Registrable Shares upon any sale of the Shares by a Company Stockholder to any other person.

"Securities Act" means the Securities Act of 1933, as amended, or any similar Federal statute, and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

"Shares" shall mean fifty percent (50%) of the Merger Shares (as defined in Subsection 1.5(a) of the Merger Agreement) received by each of the Company Stockholders.

2. Required Registrations.

(a) Upon the written request of Company Stockholders holding

not fewer than 35% of the Registrable Shares given to the Buyer on or before October 31, 1998, the Buyer shall use its best efforts to promptly effect the registration of Registrable Shares owned by such Company Stockholders under the Securities Act. If the holders initiating the registration intend to distribute the Registrable Shares by means of an underwriting, they shall so advise the Buyer in their request. In the event such registration is underwritten, the right of other Company Stockholders to participate shall be conditioned on such Company Stockholders' participation in such underwriting. Upon receipt of any such request, the Buyer shall promptly give written notice of such proposed registration to all Company Stockholders. Such Company Stockholders shall have the right, by giving written notice to the Buyer within 20 days after the Buyer provides its notice, to elect to have included in such registration such of their Registrable Shares as such Company Stockholders may request in such notice of election; provided that if the underwriter (if any) managing the offering determines that, because of marketing factors, all of the Registrable Shares requested to be registered by all Company Stockholders may not be included in the offering, then all Company Stockholders who have requested registration shall participate in the registration pro rata based upon the number of Registrable Shares owned by them.

(b) The Buyer shall not be required to effect more than one registration pursuant to paragraph (a) above.

(c) Notwithstanding the foregoing, the Company Stockholders shall have no right to sell Registrable Shares prior to April 27, 1998, and in no event shall the Buyer be required to request that a Registration Statement filed hereunder be

declared effective by the Commission before April 27, 1998. If at the time of any request to register Registrable Shares pursuant to this Section 2, the Buyer is engaged or has fixed plans to engage within 30 days of the time of the request in a registered public offering as to which the Company Stockholders may include Registrable Shares pursuant to Section 3, then the Company may instead include the Registrable Shares so requested to be registered in such other registered public offering, in which case the Buyer shall have no further obligations under this Section 2 unless and until such Registration Statement pursuant to Section 3 is withdrawn (provided, however, that if fewer than all of the Registrable Shares which the Company Stockholders have requested to be registered pursuant to Section 3 are actually so registered, then the Buyer's obligations under Section 2 shall be reinstated (provided that no Registration Statement shall be required to be filed under Section 2 before the expiration of 60 days following the completion of any offering under Section 3)). If at the time of any request to register Registrable Shares pursuant to this Section 2, the Buyer is engaged in any other activity which, in the good faith determination of the Buyer's Board of Directors would be required to be disclosed by the Buyer in the Registration Statement relating to such requested registration, and such disclosure would, in the good faith determination of the Buyer's Board of Directors interfere with the ability of the Buyer to consummate such transaction, then the Buyer may at its option direct that such request be delayed until the Board of Directors determines in good faith that delay is no longer necessary.

3. Incidental Registration.

(a) If at any time prior to October 31, 1998 the Buyer proposes to file a Registration Statement (other than pursuant to Section 2), it will, at least 14 days prior to such filing, give written notice to all Company Stockholders of its intention to do so and, upon the written request of a Company Stockholder or Company Stockholders given within 10 days after the Buyer provides such notice (which request shall state the intended method of disposition of such Registrable Shares), the Buyer shall use its best efforts to cause all Registrable Shares which the Buyer has been requested by such Company Stockholder or Company Stockholders to register to be promptly registered under the Securities Act to the extent necessary to permit their sale or other disposition in accordance with the intended methods of distribution specified in the request of such Company Stockholder or Company Stockholders; provided that the Buyer shall have the right to postpone or withdraw any registration effected pursuant to this Section 3 without obligation to any Company Stockholder.

(b) In connection with any registration under this Section 3

involving an underwriting, the Buyer shall not be required to include any Registrable Shares in such registration unless the holders thereof accept the terms of the underwriting as agreed upon between the Buyer and the underwriters selected by it. If in the written advice of the managing underwriter (a copy of which is provided to the Buyer and

the holders of the Registrable Shares requested to be included in the offering) it is appropriate because of marketing factors to limit the number of Registrable Shares to be included in the offering, then the Buyer shall be required to include in the registration only that number of Registrable Shares, if any, which the managing underwriter believes should be included therein. If the number of Registrable Shares to be included in the offering in accordance with the foregoing is less than the total number of shares which the holders of Registrable Shares have requested to be included, then the holders of Registrable Shares who have requested registration and other holders of securities entitled to include them in such registration shall participate in the registration pro rata based upon their total ownership of shares of Common Stock (giving effect to the conversion into Common Stock of all securities convertible thereinto). If any holder would thus be entitled to include more securities than such holder requested to be registered, the excess shall be allocated among other requesting holders pro rata in the manner described in the preceding sentence.

(c) Notwithstanding anything to the contrary contained in this Section 3, in connection with any registration under this Section 3 involving an underwriting, in the event that a Company Stockholder does not elect to sell his, her or its Registrable Shares to the underwriters in connection with such offering, such holder shall refrain from selling such Registrable Shares so registered pursuant to this Section 3 during the period of distribution of the Buyer's securities by such underwriters and the period in which the underwriting syndicate participates in the aftermarket; provided however, that such holder shall, in any event, be entitled to sell its Registrable Shares in connection with such registration commencing on the 90th day after the effective date of such registration statement.

4. Registration Procedures. If and whenever the Buyer is required by the provisions of this Agreement to use its best efforts to effect the registration of any of the Registrable Shares under the Securities Act, the Buyer shall:

(a) promptly prepare and file with the Commission a Registration Statement with respect to such Registrable Shares and use its best efforts to cause that Registration Statement to become and remain effective;

(b) as expeditiously as possible prepare and file with the Commission any amendments and supplements to the Registration Statement and the prospectus included in the Registration Statement as may be necessary to keep the Registration Statement effective, in the case of a firm commitment underwritten public offering, until each underwriter has completed the distribution of all securities purchased by it and, in the case of any other offering, until the earlier of the sale of all Registrable Shares covered thereby or 120 days after the effective date thereof (but in no event after January 31, 1999) (provided that if at any time during such 120-day period the Buyer is engaged in any activity which, in the good faith determination of the Buyer's Board of Directors would be required to be disclosed in such Registration

Statement and such disclosure would, in the good faith determination of the Buyer's Board of Directors interfere with the ability of the Buyer to consummate such transaction, then the Buyer shall have the right, by written notice to the Company Stockholders, to require that the Company Stockholders cease making offers of Registrable Shares and to return all prospectuses to the Buyer. Following such time as the Buyer discloses such transaction or such transaction is abandoned by the Buyer, the Buyer shall promptly use its best efforts to take such actions as may be necessary to provide the Company Stockholders with revised prospectuses, and following receipt of the revised prospectuses, the

Company Stockholders shall be free to resume making offers of the Registrable Shares;

(c) as expeditiously as possible furnish to each selling Company Stockholder such reasonable numbers of copies of the prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as the selling Company Stockholder may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares owned by the selling Company Stockholder;

(d) as expeditiously as possible use its best efforts to register or qualify the Registrable Shares covered by the Registration Statement under the securities or Blue Sky laws of such states as the selling Company Stockholders shall reasonably request, and do any and all other acts and things that may be necessary or desirable to enable the selling Company Stockholders to consummate the public sale or other disposition in such states of the Registrable Shares owned by the selling Company Stockholder; provided, however, that the Buyer shall not be required in connection with this paragraph (d) to qualify as a foreign corporation or execute a general consent to service of process in any jurisdiction;

(e) in connection with an underwritten public offering, to furnish to each selling Company Stockholder a signed counterpart, addressed to all such selling Company Stockholders, of an opinion of counsel for the Buyer experienced in securities law matters covering substantially the same matters with respect to the registration statement and the prospectus as are customarily covered in opinions of issuer's counsel delivered to underwriters in underwritten public offerings of securities; and

(f) use its best efforts to comply with all applicable rules and regulations of the Commission and make available to its security holders, as soon as reasonably practicable, an earnings statement of the Buyer (in form complying with the provisions of Rule 158 under the Securities Act) covering the period of at least 12 months beginning with the first month following the effective date of the registration statement.

If the Buyer has delivered preliminary or final prospectuses to the selling Company Stockholders and after having done so the prospectus is required to be amended to comply with the requirements of the Securities Act, the Buyer shall promptly notify the selling Company Stockholders and, if requested, the selling Company Stockholders shall immediately cease making offers of Registrable Shares and return all prospectuses to the Buyer. Subject to the provisions of Section 4(b) above, the Buyer shall promptly provide the selling Company Stockholders with revised prospectuses and, following receipt of the revised prospectuses, the selling Company Stockholders shall be free to resume making offers of the Registrable Shares.

5. Allocation of Expenses. The Buyer will pay all Registration Expenses of all registrations under this Agreement; provided, however, that if a registration under Section 2 is withdrawn at the request of the Company Stockholders requesting such registration and if the requesting Stockholders elect not to have such registration counted as the registration requested under Section 2, the requesting Company Stockholders shall pay the Registration Expenses of such registration pro rata in accordance with the number of their Registrable Shares included in such registration. All Registration Expenses of all registrations under Section 3 shall be paid by the Buyer. For purposes of this Section 5, the term "Registration Expenses" shall mean all expenses incurred by the Buyer in complying with this Agreement, including, without limitation, all registration and filing fees, exchange listing fees, printing expenses, fees and expenses of counsel for the Buyer and the fees and expenses of one counsel selected by the selling Company Stockholders to represent the selling Company Stockholders, state Blue Sky fees and expenses, and the expense of any special audits incident to or required by any such registration, but excluding underwriting discounts, selling commissions and the fees and expenses of selling Company Stockholders' own counsel (other than the counsel selected to represent all selling Company Stockholders).

6. Indemnification and Contribution.

(a) In the event of any registration of any of the Registrable

Shares under the Securities Act pursuant to this Agreement, the Buyer will indemnify and hold harmless the seller of such Registrable Shares, each underwriter of such Registrable Shares, and each other person, if any, who controls such seller or underwriter within the meaning of the Securities Act or the Exchange Act against any losses, claims, damages or liabilities, joint or several, to which such seller, underwriter or controlling person may become subject under the Securities Act, the Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in

the Registration Statement, or any amendment or supplement to such Registration Statement, or arise out of or are based upon the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Buyer will reimburse such seller, underwriter and each such controlling person for any legal or any other expenses reasonably incurred by such seller, underwriter or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Buyer will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or omission made in such Registration Statement, preliminary prospectus or final prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished to the Buyer, in writing, by or on behalf of such seller, underwriter or controlling person specifically for use in the preparation thereof.

(b) In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, each seller of Registrable Shares, severally and not jointly, will indemnify and hold harmless the Buyer, each of its directors and officers and each underwriter (if any) and each person, if any, who controls the Buyer or any such underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities, joint or several, to which the Buyer, such directors and officers, underwriter or controlling person may become subject under the Securities Act, Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to the Registration Statement, or arise out of or are based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, if the statement or omission was made in reliance upon and in conformity with information relating to such seller furnished in writing to the Buyer by or on behalf of such seller specifically for use in connection with the preparation of such Registration Statement, prospectus, amendment or supplement; provided, however, that the obligations of such Company Stockholders hereunder shall be limited to an amount equal to the proceeds to each Company Stockholder of Registrable Shares sold in connection with such registration.

(c) Each party entitled to indemnification under this Section 6 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided, that counsel for the Indemnifying Party, who

shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld); and, provided, further, that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations

under this Section 6. The Indemnified Party may participate in such defense at such party's expense; provided, however, that the Indemnifying Party shall pay such expense if representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and any other party represented by such counsel in such proceeding. No Indemnifying Party, in the defense of any such claim or litigation shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect of such claim or litigation, and no Indemnified Party shall consent to entry of any judgment or settle such claim or litigation without the prior written consent of the Indemnifying Party.

(d) In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any holder of Registrable Shares exercising rights under this Agreement, or any controlling person of any such holder, makes a claim for indemnification pursuant to this Section 6 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 6 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any such holder of Registrable Shares or any such controlling person in circumstances for which indemnification is provided under this Section 6; then, in each such case, the Buyer and such holder of Registrable Shares will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportions as is appropriate to reflect the relative fault of the holder and the Buyer as well as other equitable considerations including, without limitation, the parties' relative knowledge and access to information concerning the matter with respect to which any claim is asserted and the opportunity to correct and prevent any such statement or omission resulting in such loss, claim, damage or liability; provided, however, that, in any such case, (A) no such holder will be required to contribute any amount in excess of the proceeds to it of all Registrable Shares sold by it pursuant to such Registration Statement, and (B) no person or entity guilty of fraudulent misrepresentation, within the meaning of Section 11(f) of the Securities Act, shall be entitled to contribution from any person or entity who is not guilty of such fraudulent misrepresentation.

7. Procedures with Respect to Underwritten Offering. In the event that Registrable Shares are sold pursuant to a Registration Statement in an underwritten

offering pursuant to Section 2, the Buyer agrees to enter into an underwriting agreement containing customary representations and warranties with respect to the business and operations of an issuer of the securities being registered and customary covenants and agreements to be performed by such issuer, including, without limitation, the indemnification and contribution provisions of Section 6 and any other customary provisions with respect to indemnification by the Buyer of the underwriters of such offering. Whenever a registration is for an underwritten offering pursuant to Section 2, the Buyer will have the right to select the managing underwriter or underwriters for the offering, which selection shall be subject to the approval of the holders of a majority of the Registrable Shares requesting the offering.

8. Information by Holder. Each Company Stockholder including Registrable Shares in any registration shall furnish to the Buyer such information regarding such Company Stockholder and the distribution proposed by such Company Stockholder as the Buyer may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement.

9. "Stand-Off" Agreement. Each Company Stockholder, if requested by the Buyer and the managing underwriter of an offering by the Buyer of Common Stock or other securities of the Buyer pursuant to a Registration Statement, shall agree not to sell publicly or otherwise transfer or dispose of any Registrable Shares or other securities of the Buyer held by such Company Stockholder and not sold in such offering for a period of time beginning on the date of pricing of such offering and ending not more than 180 days thereafter; provided, that all

Company Stockholders holding not less than the number of shares of Common Stock held by such Company Stockholder (including convertible securities, or upon the exercise of options, warrants or rights) and all officers and directors of the Buyer enter into similar agreements.

10. General.

(a) Notices. All notices, requests, consents, and other communications under this Agreement shall be in writing and shall be delivered by hand or mailed by first class certified or registered mail, return receipt requested, postage prepaid:

If to the Buyer, at 25 Greens Hill Lane, Box 866, Rutland, VT 05702, Attention: President, or at such other address or addresses as may have been furnished in writing by the Buyer to the Company Stockholders, with a copy to Jeffrey A. Stein, Esq., Hale and Dorr LLP, 60 State Street, Boston, MA 02109; or

If to a Company Stockholder, at his or her address set forth on Exhibit A, or at such other address or addresses as may have been furnished to the Buyer in writing by such Company Stockholder, with a copy to B. Michael Frye, Paul, Frank & Collins, Inc., One Church Street, P.O. Box 1307, Burlington, VT 05402-1307.

Notices provided in accordance with this Section 10(a) shall be deemed delivered upon personal delivery or two business days after deposit in the mail.

(b) Entire Agreement. This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.

(c) Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Buyer and the holders of at least 50% of the Registrable Shares; provided, that this Agreement may be amended with the consent of the holders of less than all Registrable Shares only in a manner which affects all Registrable Shares in the same fashion. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

(d) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall be one and the same document.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Vermont.

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Executed as of the date first written above.

BUYER:

CASELLA WASTE SYSTEMS, INC.

By:_____

Title:_____

COMPANY STOCKHOLDERS:

Joseph M. Winters

Andrew B. Winters

Brigid Winters

Sean Winters

Maureen Winters

Schedule I
List of Company Stockholders

Joseph M. Winters
Andrew B. Winters
Brigid Winters
Sean Winters
Maureen Winters

AMENDMENT NO. 1

TO REGISTRATION RIGHTS AGREEMENT

This Amendment No. 1, dated as of June 1, 1998 (the "Amendment"), to the Registration Rights Agreement dated as of December 19, 1997 (the "Agreement"), by and among Casella Waste Systems, Inc., a Delaware corporation (the "Buyer") and the persons listed on Schedule I hereto (the "Company Stockholders"), is entered into by said parties.

WHEREAS, the Company Stockholders (other than Maureen Winters) have received a loan from Goldman, Sachs & Co. ("Goldman, Sachs") and have pledged the Merger Shares owned by them as collateral therefor (the "Pledge");

WHEREAS, the Company has agreed to extend to Goldman, Sachs certain benefits of the Agreement in the event Goldman, Sachs exercises its rights as pledgee, and Goldman, Sachs, by its signature below, has agreed to become party to the Agreement;

WHEREAS, Maureen Winters has collared 39,000 of the Registrable Shares owned by her, with a maturity date of January 8, 1999 (the "Collar");

WHEREAS, the Company Stockholders have exercised their rights under Section 2(a) of the Agreement to require the Buyer to effect the registration of Registrable Shares owned by such Company Stockholders under the Securities Act, and the Buyer is in the process of seeking to register those shares (the "Demand Registration") pursuant to a registration statement on Form S-1 (the "Demand Registration Statement");

WHEREAS, the Buyer and the Company Stockholders desire to amend certain other provisions of the Agreement;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Amendment, the parties hereto agree that certain subsections of the Agreement shall be amended to read as indicated below.

Capitalized terms used herein which are not otherwise defined shall have the meanings ascribed to them in the Agreement.

1. Section 3(a) is hereby amended by deleting the reference to "14 days" in the first sentence thereof and inserting "five days" in lieu thereof, and by deleting the reference to "10 days" in the first sentence thereof and inserting "two days" in lieu thereof.

2. Section 4 of the Agreement is hereby deleted and the following shall be inserted in lieu thereof:

"4. Registration Procedures. The Buyer shall:

(a) promptly prepare and file the Demand Registration Statement with the Commission and use its best efforts to cause the Demand Registration Statement to become and remain effective until the earlier of the sale of all Registrable Shares covered thereby or December 19, 1998 (the "Termination Date"), and as expeditiously as possible prepare and file with the Commission any amendments and supplements to the Demand Registration Statement and the prospectus included in the Demand Registration Statement as may be necessary to keep the Demand Registration Statement effective until the Termination Date; provided, that (i) upon the filing by the Company of a registration statement on Form S-1 or S-3 for the sale of shares of its Common Stock (the "Follow-on Offering"), the Company may terminate or withdraw the Demand Registration Statement, and (ii) if at any other time the Buyer is engaged in any other activity which, in the good faith determination of the Buyer's Board of Directors would be required to be disclosed in the Demand Registration Statement and such disclosure would, in the good faith determination of the Buyer's Board of Directors interfere with the ability of the Buyer to consummate such transaction, then the Buyer shall have the right, by written notice to the Company Stockholders and Goldman, Sachs, to withdraw the Demand Registration Statement (if it is not yet effective) and/or to require that the Company

Stockholders and any pledgees of Registrable Shares cease making offers of Registrable Shares and to return all prospectuses to the Buyer. Following such time as (i) the Company and Goldman, Sachs mutually agree that the Follow-on Offering has been abandoned, and/or (ii) the Buyer discloses such other transaction or such other transaction is abandoned by the Buyer, the Buyer shall promptly use its best efforts to take such actions as may be necessary to re-register the Registrable Shares (if the Demand Registration Statement has been terminated) and provide the Company Stockholders and Goldman, Sachs (if Goldman, Sachs is then still the pledgee of Registrable Shares) with revised prospectuses, and following receipt of the revised prospectuses, the Company Stockholders and Goldman, Sachs shall be free to resume making offers of the Registrable Shares. For purposes hereof, any such registration statement which is filed pursuant to this paragraph to re-register the Registrable Shares shall be deemed to be a "Demand Registration Statement".

(b) as expeditiously as possible furnish to each selling Company Stockholder and to Goldman, Sachs (if Goldman, Sachs is then still the pledgee of Registrable Shares) such reasonable numbers of copies of the prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as the selling Company Stockholder or Goldman, Sachs may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares owned by the selling Company Stockholder;

(c) as expeditiously as possible use its best efforts to register or qualify the Registrable Shares covered by the Demand Registration Statement under the securities or Blue Sky laws of such states as the selling Company Stockholders or Goldman, Sachs shall reasonably request, and do any and all other acts and things that may be necessary or desirable to enable the selling Company Stockholders and Goldman, Sachs to consummate the public sale or other disposition in such states of the Registrable Shares owned by the selling Company Stockholder; provided, however, that the Buyer shall not be required in connection with this paragraph (c) to qualify as a foreign corporation or execute a general consent to service of process in any jurisdiction;

(d) in connection with an underwritten public offering, to furnish to each selling Company Stockholder and Goldman, Sachs a signed counterpart, addressed to all such selling Company Stockholders and Goldman, Sachs, of an opinion of counsel for the Buyer experienced in securities law matters covering substantially the same matters with respect to the registration statement and the prospectus as are customarily covered in opinions of issuer's counsel delivered to underwriters in underwritten public offerings of securities; and

(e) use its best efforts to comply with all applicable rules and regulations of the Commission and make available to its security holders, as soon as reasonably practicable, an earnings statement of the Buyer (in form complying with the provisions of Rule 158 under the Securities Act) covering the period of at least 12 months beginning with the first month following the effective date of the registration statement.

If the Buyer has delivered preliminary or final prospectuses to the selling Company Stockholders and/or Goldman, Sachs and after having done so the prospectus is required to be amended to comply with the requirements of the Securities Act, the Buyer shall promptly notify the selling Company Stockholders and Goldman, Sachs, as the case may be, and, if requested, the selling Company Stockholders and Goldman, Sachs shall immediately cease making offers of Registrable Shares and return all prospectuses to the Buyer. Subject to the provisions of Section 4(a) above, the Buyer shall promptly provide the selling Company Stockholders and Goldman, Sachs with revised prospectuses and, following receipt of the revised prospectuses, the selling Company Stockholders and Goldman, Sachs shall be free to resume making offers of the Registrable Shares."

3. Section 5 of the Agreement is hereby deleted and the following shall be inserted in lieu thereof:

"5. Allocation of Expenses. Goldman, Sachs will pay all Registration Expenses of the Demand Registration and any other registrations under Section 2 or registrations required by Section 4(a) above (including any amendments or supplements to the Demand Registration Statement) and the Buyer will pay all

Registration Expenses of all registrations under Section 3. For purposes of this Section 5, the term "Registration Expenses" shall mean all expenses incurred by the Buyer in complying with this Agreement, including, without limitation, all registration and filing fees, exchange listing fees, printing expenses, fees and expenses of counsel for the Buyer and of the Buyer's accountants and the fees and expenses of one counsel selected by the selling Company Stockholders to represent the selling Company Stockholders, state Blue Sky fees and expenses, but excluding underwriting discounts, selling commissions and the fees and expenses of selling Company Stockholders' own counsel (other than the counsel selected to represent all selling Company Stockholders)."

4. Section 6 of the Agreement is hereby deleted and the following shall be inserted in lieu thereof:

"6. (a)(i) The Buyer agrees to indemnify and hold harmless Goldman, Sachs, each of the selling Company Stockholders and each other person, if any, who controls Goldman, Sachs or such selling Company Stockholder (collectively, the "Sellers' Indemnified Parties") against any losses, claims, damages or liabilities, joint or several, to which any of the Sellers' Indemnified Parties may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in a Registration Statement under which Registrable Shares are registered under the Securities Act or any preliminary prospectus included in such Registration Statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Securities Act (each, a "Preliminary Prospectus"), the form of final prospectus relating to the resale of the Registrable Shares by the Company Stockholders (the "Prospectus") in the form first filed pursuant to Rule 424(b) under the Securities Act, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each of the Sellers' Indemnified Parties for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that (i) the Buyer shall not be liable to the Company Stockholders or any controlling person thereof in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, Registration Statement or Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Buyer by the Company Stockholders expressly for use therein, and (ii) the Buyer shall not be liable to Goldman, Sachs or any controlling person thereof in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, Registration Statement or Prospectus or any such amendment

or supplement in reliance upon and in conformity with written information furnished to the Buyer by Goldman, Sachs expressly for use therein. Notwithstanding the foregoing, the Company shall have no obligations to Goldman, Sachs under this paragraph with respect to any Registration Statement, Preliminary Prospectus or Prospectus used in connection with an underwritten offering of the shares of the Company for which there is an underwriting agreement containing indemnification provisions for the benefit of Goldman, Sachs.

(ii) Each of the Company Stockholders, severally and not jointly, will indemnify and hold harmless the Company and Goldman, Sachs and their respective officers and directors and each other person, if any, who controls the Company or Goldman, Sachs against any losses, claims, damages or liabilities, joint or several, to which any of such persons may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an

untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, Registration Statement or Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, Registration Statement or Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Buyer by such Company Stockholder expressly for use therein; and will reimburse each such person for any legal or other expenses reasonably incurred by such person in connection with investigating or defending any such action or claim as such expenses are incurred. The obligations of each Company Stockholder under this subparagraph (a)(ii) shall be limited to an amount equal to the proceeds to each Company Stockholder of Registrable Shares sold in connection with such registration;

(b) Goldman, Sachs will indemnify and hold harmless the Buyer and its officers and directors and each selling Company Stockholder and each other person, if any, who controls the Company or such selling Company Stockholder against any losses, claims, damages or liabilities, joint or several, to which any such person may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, Registration Statement or Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, Registration Statement or Prospectus or any such amendment or supplement in reliance upon and in

conformity with written information furnished to the Buyer by Goldman, Sachs expressly for use therein; and will reimburse each such person for any legal or other expenses reasonably incurred by such person in connection with investigating or defending any such action or claim as such expenses are incurred;

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may otherwise have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party; and

(d) If the indemnification provided for herein is unavailable to or

insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein for any reason, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportions as is appropriate to reflect not only (i) the relative benefits received by the Buyer, the Company Stockholders and Goldman, Sachs from the sale of the Registrable Shares but also (ii) the relative fault of the Buyer, the Company Stockholders and Goldman, Sachs in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material

fact or the omission or alleged omission to state a material fact relates to information supplied by the Buyer, the Company Stockholders or Goldman, Sachs and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Buyer, the Company Stockholders and Goldman, Sachs agree that it would not be just and equitable if contributions pursuant to this indemnity agreement were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Company Stockholders' obligations in this subsection to contribute are several and not joint and no Company Stockholder shall be required to contribute any amount in excess of the proceeds to him, her or it of all Registrable Shares sold by him, her or it pursuant to such Demand Registration Statement."

5. Section 9 of the Agreement is hereby amended by designating the paragraph appearing therein as paragraph "(a)" and by inserting the following paragraph after said paragraph:

"(b) Without limiting the generality of the foregoing, and in consideration of Buyer's promises set forth herein and for other good and valuable consideration, each of the Company Stockholders agrees that (other than the Pledge by the Company Stockholders other than Maureen Winters and the Collar by Maureen Winters) he, she or it will not offer, sell, contract to sell, grant any option to sell, transfer or otherwise dispose of, directly or indirectly, or otherwise seek to reduce or limit his, her or its economic risk of ownership in, any shares of Common Stock of the Buyer, or securities convertible into or exchangeable for shares of Common Stock of the Buyer, until August 31, 1998, otherwise than (i) as a bona fide gift or a transfer effected solely for estate planning purposes, provided the donee or transferee agrees in writing to be bound by the terms hereof, (ii) pursuant to an effective registration statement filed by the Buyer covering such shares (other than the Demand Registration Statement), or (iii) with the prior written consent of the Buyer. Goldman, Sachs & Co. agrees to be bound by the terms of the foregoing with respect to the shares of Common Stock of the Buyer pledged to it by any of the Company Stockholders except in connection with the exercise of its rights as pledgee of such shares following a bona fide margin call on such shares. Each of the Company Stockholders and Goldman, Sachs agrees and consents to the entry of stop transfer instructions with the Buyer's transfer agent against the transfer of shares of Common Stock held by such persons, except in accordance with the terms of this paragraph."

6. Section 10(a) of the Agreement is hereby amended by adding the following paragraph immediately following the provisions for notice to the

Buyer:

"If to Goldman, Sachs, at 85 Broad Street, New York, New York 10004, Attention: Special Execution;"

7. Section 10(c) of the Agreement is hereby deleted and the following shall be inserted in lieu thereof:

"(c) Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Buyer and the holders of at least 50% of the Registrable Shares; provided, however, that any such amendment or waiver shall also require the written approval of Goldman, Sachs to the extent the same would materially and adversely affect the rights of Goldman, Sachs herein; and provided further, however, that this Agreement may be amended with the consent of the holders of less than all Registrable Shares only in a manner which affects all Registrable Shares in the same fashion. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision."

8. The Buyer hereby agrees that the Winters Family Partnership, as transferee of certain of the Registrable Shares, shall have the benefit of the Agreement, subject to the execution and delivery by the Winters Family Partnership of a counterpart of this Amendment. By its signature below, the Winters Family Partnership agrees to be bound by the Agreement, as amended hereby, and is hereby deemed included within the definition of "Company Stockholders".

9. In all other respects, the Agreement shall remain in full force and effect.

Executed as of the date first written above.

BUYER:

CASELLA WASTE SYSTEMS, INC.

By:_____

Title:_____

COMPANY STOCKHOLDERS:

_____
Joseph M. Winters

_____
Andrew B. Winters

_____
Brigid Winters

_____
Sean Winters

_____
Maureen Winters

WINTERS FAMILY PARTNERSHIP

By:_____
General Partner

GOLDMAN, SACHS & CO.

By:_____

Schedule I

List of Company Stockholders

Joseph M. Winters
Andrew B. Winters
Brigid Winters
Sean Winters
Maureen Winters
Winters Family Partnership

List of Subsidiaries

Name	Jurisdiction of Incorporation
Casella Waste Management, Inc.	Vermont
New England Waste Services, Inc.	Vermont
New England Waste Services of Vermont, Inc.	Vermont
Sunderland Waste Management, Inc.	Vermont
Newbury Waste Management, Inc.	Vermont
Bristol Waste Management, Inc.	Vermont
North Country Environmental Services, Inc.	Virginia
Forest Acquisitions, Inc.	New Hampshire
Sawyer Environmental Services, Inc.	Maine
Sawyer Environmental Recovery Facilities, Inc.	Maine
Hiram Hollow Regeneration Corp.	New York
Casella T.I.R.E.S., Inc.	Maine
Casella Waste Management of N.Y., Inc.	New York
New England Waste Services of N.Y., Inc.	New York
Casella Waste Management of Pennsylvania, Inc.	Pennsylvania
North Country Composting Services, Inc.	New Hampshire
Pine Tree Waste, Inc.	Maine
All Cycle Waste, Inc.	Vermont
Winters Brothers, Inc.	Vermont

Exhibit 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made a part of this prospectus.

/s/ Arthur Andersen LLP

Arthur Andersen LLP

Boston, Massachusetts
June 1, 1998

Exhibit 23.3

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made a part of this prospectus.

/s/ Barrett & Dattilio

Barrett & Dattilio, P.C.

Quechee, Vermont
May 31, 1998

POWER OF ATTORNEY AND SIGNATURES

The undersigned directors of Casella Waste Systems, Inc. (the "Company"), hereby severally constitute and appoint John W. Casella and James W. Bohlig and each of them singly, our true and lawful attorneys, with full power to them and each of them singly, to sign for us in our names in the capacities indicated below, all pre-effective and post-effective amendments to the registration statement on Form S-1 relating to the resale of 301,673 shares of the Class A Common Stock of the Company and any related subsequent registration statement pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and generally to do all things in our names and on our behalf in such capacities to enable the Company to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission.

EXECUTED as of the date set forth opposite our names below.

Signature	Date
/s/ John W. Casella - ---------- John W. Casella	May 11, 1998
/s/ James W. Bohlig - ---------- James W. Bohlig	May 11, 1998
/s/ Douglas R. Casella - ---------- Douglas R. Casella	May 11, 1998
/s/ John F. Chapple III - ---------- John F. Chapple III	May 11, 1998
/s/ Kenneth H. Mead - ---------- Kenneth H. Mead	May 11, 1998
/s/ Michael F. Cronin - ---------- Michael F. Cronin	May 11, 1998
/s/ Gregory B. Peters - ---------- Gregory B. Peters	May 11, 1998