

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended January 31, 1999

OR

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

For the transition period from to

Commission file number 000-23211

CASELLA WASTE SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	03-0338873
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

25 Greens Hill Lane, Rutland, Vermont	05701
(Address of principal executive offices)	(Zip Code)

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 1, 1999:

Class A Common Stock	14,154,630	
Class B Common Stock	988,200	

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS
(In thousands)

	April 30, 1998 (Restated)	January 31, 1999 (Unaudited)
CURRENT ASSETS:		
Cash and Cash Equivalents	\$2,329	\$155
Restricted Cash - Closure Fund Escrow	304	453
Accounts Receivable-trade, net of allowance For doubtful accounts of \$1,331 and \$1,797.	19,028	23,227

Other Current Assets	3,932	4,413
Total Current Assets	25,593	28,248
Property, Plant and Equipment, net of Accumulated depreciation and amortization of \$44,962 and \$59,572.	88,074	115,751
Intangible Assets, net	80,041	96,968
Restricted Funds - Closure Fund Escrow	3,865	4,509
Other Assets	1,951	2,084
	\$199,524	\$247,560

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES and STOCKHOLDERS EQUITY
(In thousands, except for share data)

	April 30, 1998 (Restated)	January 31, 1999 (Unaudited)
CURRENT LIABILITIES:		
Current Maturities of Long-Term Debt	\$4,249	\$2,960
Current Maturities of Capital Lease Obligations	481	416
Accounts Payable	11,841	10,451
Other Accrued Liabilities	5,941	7,711
Total Current Liabilities	22,512	21,538
Long-Term Debt, Less Current Maturities	79,470	64,485
Capital Lease Obligations, Less Current Maturities	1,085	1,556
Other Long-Term Liabilities	13,565	13,024
COMMITMENTS AND CONTINGENCIES:		
STOCKHOLDERS' EQUITY (DEFICIT):		
Class A Common Stock -	114	141
Authorized - 100,000,000 Shares, \$.01 par value Issued and Outstanding - 11,445,812 and 14,151,180 shares.		
Class B Common Stock -	10	10
Authorized - 1,000,000 Shares, \$.01 par value; 10 Votes per Share. Issued and Outstanding - 988,200 shares.		
Additional Paid-In Capital	96,356	153,778
Accumulated Deficit	(13,588)	(6,972)
	82,892	146,957
	\$199,524	\$247,560

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)
(In thousands, except for per share data)

	Three Months Ended		Nine Months Ended	
	January 31, 1998 (Restated)	January 31, 1999	January 31, 1998 (Restated)	January 31, 1999
Revenues	\$33,842	\$40,220	\$100,687	\$123,957
Operating Expenses:				
Cost of Operations	20,839	22,661	61,527	71,012
General and Administrative	5,044	6,132	14,809	18,309
Depreciation and Amortization	5,024	6,085	14,316	17,757
Merger Costs (Pooling)	290	409	290	1,164
	31,197	35,287	90,942	108,242
Operating Income	2,645	4,933	9,745	15,715
Other (Income) Expenses				
Interest Income	(61)	(65)	(224)	(267)
Interest Expense	1,626	1,077	5,981	3,799
Other Expense (Income), net	(162)	(65)	(162)	(390)
	1,403	947	5,595	3,142
Income Before Provision for Income Taxes and Extraordinary Items	1,242	3,986	4,150	12,573
Provision for Income Taxes	669	1,674	2,064	5,263
Net Income	573	2,312	2,086	7,310
Accretion of Preferred Stock and Put Warrants	0	0	(974)	0
Net Income (Loss) Applicable to Common Stockholders	\$573	\$2,312	\$1,112	\$7,310
Basic Earnings per Share of Common Stock	\$0.05	\$0.15	\$0.14	\$0.51
Basic Weighted Average Common Stock Shares Outstanding	12,225	15,097	7,678	14,203
Diluted Earnings per Share	\$0.04	\$0.15	\$0.10	\$0.48
Diluted Weighted Average Common Stock and Common Stock Equivalent Shares Outstanding	13,360	15,915	11,246	15,118

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 31, 1998 and 1999
(In thousands)

	1998 (Restated)	1999 (Unaudited)
Cash Flows from Operating Activities:		
Net Income	\$2,086	\$7,310
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities-		
Depreciation and Amortization	14,316	17,757
(Gain) Loss on Sale of Equipment	(426)	(32)
Changes in Assets and Liabilities, net of Effects of Acquisitions -		
Accounts Receivable	(2,860)	(3,246)
Accounts Payable	(1,085)	(2,714)
Other Current Assets/Liabilities	(1,602)	3,800
	10,429	15,565
Net Cash Provided by Operating Activities	12,515	22,875

Cash Flows from Investing Activities:		
Acquisitions, net of Cash Acquired	(26,044)	(26,388)
Additions to Property and Equipment	(17,426)	(36,431)
Proceeds from Sale of Equipment	1,093	244
Other Assets/Liabilities	503	(4,000)
	-----	-----
Net Cash Used in Investing Activities	(41,874)	(66,575)
	-----	-----
Cash Flows from Financing Activities:		
Redemption of Series C Preferred Stock		
	(2,970)	0
Call of Redeemable Stock Warrants	(525)	0
Distributions to Shareholders - Pooled Entity	(214)	(131)
Proceeds from Issuance of Common Stock	48,492	56,678
Proceeds from Long-Term Borrowings	116,481	52,499
Principal Payments on Long-Term Debt	(129,605)	(65,638)
Principal Payments on Capital Leases	(759)	(1,670)
Proceeds from Issuance of Stock Warrants	827	
	-----	-----
Net Cash Provided by Financing Activities	31,727	41,738
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	282	(1,962)
Cash and Cash Equivalents, Beginning of Period	2,447	2,117
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Cash and Cash Equivalents, End of Period	\$2,729	\$155
	=====	=====

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 31, 1998 and 1999
(In thousands)

	1998 (Restated)	1999 (Unaudited)
	-----	-----
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for -		
Interest	\$6,308	\$4,204
	=====	=====
Income Taxes	\$732	\$2,856
	=====	=====
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Summary of Entities Acquired -		
Fair Market Value of Assets Acquired	\$31,965	\$29,868
Common Stock Issued	(1,352)	0
Cash Paid	(26,045)	(26,388)
	-----	-----
Liabilities Assumed and Notes Payable to Sellers	\$4,568	\$3,480
	=====	=====

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The condensed consolidated balance sheets of Casella Waste Systems, Inc. and Subsidiaries (the "Company") as of April 30, 1998 and January 31, 1999, the consolidated statements of operations for the three months and nine months ended January 31, 1998 and 1999, and the consolidated statements of cash flows for the nine months ended January 31, 1998 and 1999 are unaudited. In the opinion of management, such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of financial position, results of operations, and cash flows for the periods presented. The Company has restated the previously issued audited balance sheet dated April 30, 1998 to reflect the mergers with Waste Stream and Northern Sanitation (see note 1) consummated on October 29, 1998 and December 23, 1998, respectively, accounted for using the pooling of interests method of accounting. The Company has also restated the previously issued consolidated statements of operations for the three and nine months ended January 31, 1998 and consolidated statement of cash flows for the nine months ended January 31, 1998 to reflect the mergers with Waste Stream and Northern Sanitation (see note 1). The consolidated financial statements presented herein should be read in connection with the Company's audited consolidated financial statements as of and for the twelve months ended April 30, 1998. These were included as part of the Company's Annual Report on Form 10-K (the "Annual Report").

1. BUSINESS COMBINATIONS

Transactions Recorded as a Pooling of Interests

On September 4, 1998 the Company completed its merger with Hakes C & D Disposal, Inc. in a business combination recorded as a pooling of interests. This facility is a landfill in western New York State permitted to accept construction and demolition material. As of the merger date the facility construction was not complete and the facility had not begun accepting waste. Since there had been no material operations activity as of the merger date, aside from construction, prior period balance sheets and statements of operations and cash flows were not restated for this transaction. The Company issued 67,617 shares of its class A common stock for all of the outstanding stock of Hakes C & D Disposal, Inc. This transaction has been accounted for as an immaterial pooling on the date of acquisition. Accordingly, retained earnings has been adjusted to reflect the accumulated deficit of Hakes C & D Disposal.

On October 29, 1998, the Company completed its merger with Waste Stream Inc., B&C Sanitation Corporation, North Country Trucking, Inc., Better Bedding Corp., R.A. Bronson, Inc., BBC LLC, NTC LLC and Grasslands, Inc., (together - "Waste Stream") in a business combination recorded as a pooling of interests and accordingly the accompanying financial statements have been restated to include Waste Stream. The businesses acquired were under common control, and the transaction was considered to be and accounted for as a single acquisition. The Company issued 701,461 shares of its class A common stock for all of the outstanding stock of Waste Stream.

On December 23, 1998, the Company completed its merger with Northern Sanitation, Inc and Northern Properties Corp. of Plattsburgh, Inc. (together - "Northern Sanitation") in a business combination recorded as a pooling of interests and accordingly the accompanying financial statements have been restated to include Northern Sanitation. The businesses acquired were under common control, and the transaction was considered to be and accounted for as a single acquisition. The Company issued 220,964 shares of its class A common stock for all of the outstanding stock of Northern Sanitation.

Following is a reconciliation of the amounts (in thousands) of revenues and net income previously reported for the three and nine months ended January 31, 1998:

Three Months ended January 31, 1998	Nine Months ended January 31, 1998
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Revenues:		
As previously reported	\$28,769	\$ 87,321
Waste Stream	4,315	11,083
Northern Sanitation	979	2,917
Elimination of intercompany revenue	(221)	(634)
As restated	\$33,842	\$ 100,687
Net income applicable to common shareholders:		
As previously reported	\$ 502	\$ 949
Waste Stream	96	163
Northern Sanitation	(25)	0
As restated	\$ 573	\$ 1,112

Transactions Recorded as Purchases

During the year ended April 30, 1998, the Company completed 33 acquisitions of solid and liquid waste hauling operations, exclusive of the pooling transactions described above, for approximately \$35.8 million in cash, \$5.2 million in notes to sellers and liabilities assumed and 103,132 shares of class A common stock issued. These transactions were accounted for as purchases.

During the nine months ended January 31, 1999, the Company acquired 34 solid and liquid waste hauling operations, one private solid waste landfill and one wood processing facility in transactions accounted for as purchases. These transactions were in exchange for consideration of approximately \$26.4 million in cash and \$3.5 million in notes to sellers and liabilities assumed. 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.

The following unaudited pro forma combined information (rounded to thousands except for per share data) shows the results of the Company's operations as though each of the completed acquisitions had occurred as of May 1, 1997:

	Nine Months Ended January 31, 1999	Nine Months Ended January 31, 1998
	-----	-----
Revenues	\$130,349	\$130,324
Operating Income	16,275	11,273
Net Income	7,255	1,765
Pro forma income (loss) per share - diluted	\$0.48	\$0.13
Weighted average common stock shares outstanding - diluted	15,118	13,360

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, 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.

2. COMMITMENTS AND CONTINGENCIES

On May 12, 1998, the Company filed suit in New York Supreme Court, Allegany 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, would require the landfill and the operator thereof to receive an additional permit from the Town of Angelica to continue to operate, would prevent the disposal of yard waste, may preclude the disposal of certain types of industrial waste and would impose certain other restrictions on the landfill. A temporary restraining order was granted by the court on May 14, 1998 in favor of the Company, and by a decision dated July 13, 1998, the court granted the Company's motion for a preliminary injunction. On September 9, 1998, the Town of Angelica filed a Notice of Appeal but has not yet perfected that appeal. If the Company is not successful in its lawsuit, and if the Town of Angelica seeks to enforce the law by its terms, then the Company would be required to obtain an additional permit from the Town of Angelica to operate the Hyland landfill, the expansion of the landfill beyond the current permitted capacity would be prohibited, and the Company would be unable to dispose of yard waste and may be precluded from disposing of industrial waste at the landfill. There can be no assurance that such limitations would not have a material adverse effect on the Company's business, financial condition and results of operations. The Company began accepting waste at the Hyland facility on July 22, 1998.

The Company's wholly-owned subsidiary, North Country Environmental Services, Inc. ("NCES"), is a party to consolidated civil actions (Case Nos. 98-E-141 and 98-E-151) against the Town of Bethlehem, New Hampshire (the "Town"), before the Grafton Superior Court in North Haverhill, New Hampshire. On October 16, 1998, NCES commenced an action for declaratory relief against the Town seeking, on a variety of grounds, to invalidate a Town zoning ordinance which purports to prohibit the expansion of NCES's landfill beyond its current capacity. It is the Town's position that NCES may not expand the landfill beyond Stage II, Phase I, which NCES believes will be at capacity in early 1999. NCES has also sought a declaration that it requires no further approvals from the Town to expand the landfill throughout its 87-acre parcel and that certain financial exactions imposed by a 1986 Town land-use approval are invalid. In the alternative, NCES has sought compensation under state law for the inverse condemnation of its property.

On October 23, 1998, the Town filed a petition for injunctive and declaratory relief against NCES. The Town's petition sought to enjoin NCES's construction of Stage II, Phase II of the landfill and to prevent any further expansion as violative of the above-noted Town zoning ordinance. The construction of Stage II, Phase II was proceeding pursuant to a construction permit issued by the New Hampshire Department of Environmental Services (NHDES) on September 15, 1998. On October 30, 1998, the court entered a preliminary injunction requiring NCES to suspend construction of Stage II, Phase II. When the Town failed to post an injunction bond, however, the court permitted NCES to complete and cover the liner system in Stage II, Phase II, before the onset of winter.

NCES may not commence operations in Stage II, Phase II, until NHDES issues an operating permit. NHDES has notified NCES that it will not issue operating approval until the litigation with the Town is resolved in some fashion. On November 30, 1998, NCES and the Town proceeded to trial on eight of NCES's eleven claims for relief and on the Town's claims for permanent injunctive and declaratory relief. Earlier, the remaining three NCES claims were bifurcated for later trial, if needed. On the day of trial, the Town filed two counterclaims seeking to establish the lawfulness of the financial exactions challenged by NCES's October 16, 1998, petition.

The Grafton Superior Court issued its order on NCES's first eight claims and the Town's request for a permanent injunction and declaratory relief on February 1, 1999. The court declined to decide whether the Town's zoning ordinance is valid; rather, the court held that NCES had appropriated a 51-acre tract of land comprised of a 10-acre and a 41-acre parcel for landfilling purposes. The court also found that NCES had obtained permission to operate its landfill facility on this 51-acre tract prior to the enactment of the challenged zoning ordinance and held that the challenged zoning ordinance did not apply to NCES's operation of its landfill facility on this tract. Consequently, the court held that the Town lacked authority to enforce the challenged zoning ordinance against NCES with respect to the 51-acre tract and denied the Town's petition in its entirety. The court did not decide the validity of the challenged zoning ordinance as it relates to 36 acres adjoining the 51-acre tract after finding that NCES had not demonstrated a present intent to develop this property for landfilling. Consequently, NCES's ability to use this 36 acres for landfilling remains unclear.

On February 10, 1999, the Town moved the Grafton Superior Court to clarify and reconsider its order. NCES objected to this motion. The court has not yet ruled on the Town's motion, and NCES does not know when the court may rule. The Town may appeal any decision of the Grafton Superior Court that permits NCES to

construct and operate its landfill facility beyond its current footprint. NCES cannot predict the outcome of either the Town's motion to reconsider or any eventual appeal.

The Company is a party to various other litigation matters arising in the ordinary course of business. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

In the normal course of business and as a result of the extensive government regulation of the solid waste industry, the Company periodically may become subject to various judicial and administrative proceedings and investigations involving federal, state, or local agencies. To date, the Company has not been required to pay any material fine or had a judgment entered against it for violation of any environmental law. From time to time, the Company also may

be subjected to actions brought by citizens groups in connection with the permitting of landfills or transfer stations, or alleging violations of the permits pursuant to which the Company operates. From time to time, the Company is also subject to claims for personal injury or property damage arising out of accidents involving its vehicles or other equipment.

3. ENVIRONMENTAL LIABILITIES

The continuing business in which the Company is engaged is intrinsically connected with the protection of the environment. As such, a significant portion of the Company's operating costs and capital expenditures could be characterized as costs of environmental protection. While the Company is faced, in the normal course of business, with the need to expend funds for environmental protection and remediation, it does not expect such expenditures to have a material adverse effect on its financial condition or results of operations because its business is based upon compliance with environmental laws and regulations and its services are priced accordingly. In addition, as part of its ongoing operations, the Company provides for estimated closure and post-closure monitoring costs over the life of disposal sites as airspace is consumed. While all these costs may increase in the future as a result of legislation or regulation, the Company believes that in general it tends to benefit when government regulation increases, since this may increase the demand for its services. Furthermore, the Company believes it has the resources and experience to manage environmental risk.

4. EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" which supercedes Accounting Principal Board opinion No. 15 and establishes new accounting standards for the presentation of earnings per share. 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. Fully Diluted EPS is replaced with Diluted EPS, which gives effect to all common shares that would have been outstanding if all dilutive potential 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):

	Three months ended 1/31/98	Nine months ended 1/31/98	Three months ended 1/31/99	Nine months ended 1/31/99
Number of shares outstanding, end of period:				
Class A common stock	11,425	11,425	14,151	14,151
Class B common stock	1,000	1,000	988	9
Effect of weighting the average shares outstanding during the period	(200)	(4,748)	(121)	(1,302)

Basic shares outstanding	12,225	7,677	15,097	14,203
Impact of potentially dilutive securities	1,135	3,568	818	915
Fully diluted shares outstanding:	13,360	11,245	15,915	15,118

5. RECENT ACCOUNTING PRONOUNCEMENTS

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ("Statement 130"). Statement 130 establishes standards for reporting and presentation of comprehensive income and its components. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company adopted Statement 130 effective May 1, 1998 and there was no effect on the Company's financial statements upon adoption.

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information ("Statement 131"). Statement 131 establishes standards for reporting information about operating segments in annual financial statements that requires that those enterprises report selected information about operating segments in the interim financial reports issued to shareholders. Statement 131 is effective for fiscal years beginning after December 15, 1997. Adoption is not required for interim periods in the initial year of application. The Company believes that the adoption of Statement 131 will not have a material effect on the Company's Financial Statements.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("Statement 133"). Statement 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. Statement 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Statement 133 is effective for fiscal years beginning after June 15, 1999. A company may also implement Statement 133 as of the beginning of any fiscal quarter after issuance (that is, fiscal quarters beginning June 16, 1998 and thereafter). The Company has yet to quantify the impacts of adopting Statement 133 on its financial statements and has not determined the timing or method of adoption. However, Statement 133 could increase volatility in earnings and other comprehensive income.

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

Overview

The Company is a regional, integrated solid waste services company that provides collection, transfer, disposal and recycling services in Vermont, New Hampshire, Maine, northern Massachusetts, 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.

On January 12, 1999, the Company entered into an Agreement and Plan of Merger with KTI, Inc., pursuant to which KTI will become a wholly-owned subsidiary of the Company. Pursuant to the Agreement and Plan of Merger, each share of KTI, Inc. common stock will be converted into 0.91 shares of the Company's Class A Common Stock. The closing is subject to approval by the stockholders of the companies, antitrust clearance, qualification of the merger as a tax-free pooling of interests, and other customary closing conditions. The companies anticipate that the merger should close during the second calendar quarter of

1999.

The Company's revenues have increased from \$33.9 million for the three months ended January 31, 1998 to \$40.2 million for the three months ended January 31, 1999. For the nine-month periods ending on these dates revenues increased from \$100.7 million to \$124.0 million respectively. From May 1, 1997 through April 30, 1998, the Company acquired 34 solid waste collection, transfer and disposal operations. Between May 1, 1998 and January 31, 1999, the Company acquired an additional 39 such businesses, including the Hyland Landfill, a Subtitle D landfill in western upstate New York, and Hakes C & D Landfill, a C&D disposal facility in western New York State. All but four of 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 actual dates of the acquisitions and will materially affect the period-to-period comparisons of the Company's historical results of operations. In December 1997, October 1998 and December 1998 the Company acquired waste collection and transfer operations in transactions recorded as poolings of interests. In September 1998 the Company acquired the Hakes C & D landfill in a transaction recorded as a pooling of interests. This September, 1998 transaction has been accounted for as an immaterial pooling on the date of acquisition. Accordingly, retained earnings has been adjusted to reflect the accumulated deficit of the C & D facility.

This Quarterly Report 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 Quarterly Report 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 outlined below in the section entitled 'Certain Factors That May Affect Future Results'. 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 and liquid 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 and from the sale of tire derived fuel. Other revenues consist primarily of revenue from

septic/liquid waste operations and other sources. 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 the current fiscal quarter is primarily attributable to the impact of the Company's acquisition of collection businesses during fiscal 1998 and during the first three quarters of fiscal 1999, as well as to internal growth through price and business volume

increases. The decrease in the Company's landfill revenues and in the Company's transfer revenues as a percentage of revenues in the current fiscal year is mainly due to a proportionately greater increase in collection revenues occurring as the result of acquisitions in that area; also, as the Company acquires collection businesses from which it previously had derived transfer or disposal revenues, the acquired revenues are recorded by the Company as collection revenues. The decrease in recycling revenues is due primarily to decreased prices received from the sale of recycled commodities. The increase in liquid waste and other revenues as a percentage of revenues in the current fiscal year is primarily due to the impact of acquisitions of septic/liquid waste operations since the first quarter of fiscal 1999.

	% of Revenue			
	Three months ended		Nine months ended	
	1/31/98	1/31/99	1/31/98	1/31/99
Collection	75.9%	76.3%	74.9%	76.8%
Landfill	9.8	8.1	11.3	8.4
Transfer	5.5	5.2	5.8	5.3
Recycling	6.4	5.8	5.7	5.6
Liquid Waste & Other	2.4	4.6	2.3	3.9
Total Revenue	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. The Company depreciates all fixed and intangible assets, excluding non-depreciable land, down to a \$0 net book value, and does not apply a salvage value to any of its fixed assets.

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.

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 Revenue			
	Three months ended		Nine months ended	
	1/31/98	1/31/99	1/31/98	1/31/99
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of operations	61.6	56.3	61.1	57.3
General and administrative	14.9	15.2	14.7	14.8
Depreciation and amortization	14.8	15.1	14.2	14.3
Merger-related costs	0.9	1.0	0.3	0.9
Operating income	7.8	12.4	9.6	12.7
Interest expense, net	4.6	2.5	5.7	2.9
Other (income) expense	(0.5)	(0.2)	(0.2)	(0.3)
Provision for income taxes	2.0	4.2	2.0	4.2
Net income	1.7	5.9	2.1	5.9
EBITDA*	22.7	27.4	23.9	27.0

* See discussion and computation of EBITDA below.

Revenues. Revenues increased \$6.4 million, or 18.9%, to \$40.2 million in the quarter ended January 31, 1999 from \$33.8 in the quarter ended January 31, 1998. For the nine months ended January 31, 1999 revenue increased \$23.3 million or 23.1% to \$124.0 million from \$100.7 in revenues in the nine months ended January 31, 1998. Of this increase, \$4.1 million of the third quarter growth and \$16.0 million of the year-to-date growth was due to the impact of businesses acquired during the year ended April 30, 1998 and during the current fiscal year. The balance of the increase was due to internal volume and price growth.

Cost of Operations. Cost of operations increased approximately \$1.9 million, or 9.1%, to \$22.7 million in the quarter ended January 31, 1999 from \$20.8 million in the same quarter of the prior fiscal year. For the nine month periods ended January 31, cost of operations increased \$9.5 million or 15.4% from \$61.5 million to \$71.0 million. Cost of operations as a percentage of revenues decreased to 57.3% in the current fiscal year from 61.1% in the prior year. In the quarter ended January 31, 1999, cost of operations was 56.3% of revenue compared to 61.6% in the same quarter of the prior fiscal year. The decrease was primarily the result of: (i) productivity improvements in the Company's collection operations as a result of better route density from acquisitions, routing efficiencies through route audits and front-end loader vehicle conversions completed throughout fiscal 1998 and the first three quarters of fiscal 1999; and (ii) margin improvements because of price increases in fiscal 1998 and the first three quarters of fiscal 1999.

General and Administrative. General and administrative expenses increased approximately \$1.1 million, or 22.0%, to \$6.1 million in the third quarter of fiscal 1999 from \$5.0 million in the same quarter of fiscal 1998. Year to date, general and administrative expenses have increased \$3.5 million or 23.6% to \$18.3 million compared to prior year expenses of \$14.8 million. General and administrative expenses increased as a percentage of revenues for the three and nine month periods. However, certain general and administrative expenses were previously classified by the Company as costs of operations in fiscal 1998. This amounted to approximately \$713,000 of reclassified expenses during the first three quarters of fiscal 1999. If the Company had not made this

reclassification, general and administrative expense as a percentage of revenues would have decreased for both the quarter ended January 31, 1999 and for the nine months ended January 31, 1999 compared with the same periods in the prior year.

Depreciation and Amortization. Depreciation and amortization expense increased \$1.1 million, or 22.0%, to \$6.1 million in the third quarter of fiscal 1999 from \$5.0 million in the same quarter of the prior fiscal year. During the nine months ended January 31, 1999, depreciation and amortization increased \$3.5 million or 24.5% to \$17.8 million from \$14.3 million in the same period of the prior year. As a percentage of revenues, depreciation and amortization expense have remained approximately level in the periods under discussion. During the prior fiscal year, the Company benefited from low cost landfill airspace at Clinton County's unlined landfill which significantly lowered landfill amortization expense in the first quarter of fiscal 1998. Clinton County's unlined landfill was permanently closed on July 15, 1997. The increase in depreciation and amortization resulting from this change has been offset in part by the increased concentration of revenues in collections activities, which typically have lower depreciation and amortization charges relative to revenues compared to landfill revenues.

Merger Costs. The merger related costs of \$755 thousand recorded in the second quarter of the current fiscal year were incurred in association with the Hakes and Waste Stream mergers and the merger related costs of \$409 thousand recorded in the third quarter were incurred in association with the Northern Sanitation merger, all accounted for as poolings of interests. The transactions are discussed above under "Notes to Consolidated Financial Statements".

Interest expense, net. Net interest expense decreased approximately \$0.6 million, or 37.5% to \$1.0 million in the quarter ended January 31, 1999 from \$1.5 million in the same quarter of the prior fiscal year. For the year to date, net interest decreased \$2.2 or 38.6% to \$3.5 million from \$5.7 million during the same period last year. This decrease primarily reflects the reduction of the outstanding balance under the Company's acquisition line of credit and other notes payable from the proceeds of the Company's public stock offerings in November, 1997 and July, 1998.

Other (income) expense, net. Net other (income) expense has not historically been material to the Company's results of operations.

Provision for income taxes. Provision for income taxes increased approximately \$3.2 million to \$5.3 million in the current fiscal year from \$2.1 million in fiscal 1998. For the current quarter the increase was \$1.0 million to \$1.7 million from \$669 thousand for the quarter ended January 31, 1998. This increase reflects the Company's increase in profits in the current fiscal year over the prior year. The combined effective tax rate used by the Company in recording taxes for interim periods has been decreased from 49.7% in fiscal 1998 to 41.9% in the current fiscal year. This reflects the decreased relative effect of various fixed non-deductible expenses compared to the Company's increased pre-tax income.

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. The Company had positive net working capital of \$3.1 million at April 30, 1998 and positive net working capital of \$6.7 million at January 31, 1999.

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. Funds available to the Company under this line of credit were \$87.9 million at January 31, 1999. In connection with the proposed merger with KTI, the Company will be required to obtain a new credit facility. The Company is currently negotiating a new credit facility with a number of banks.

Net cash provided by operating activities for the first nine months of fiscal 1998 and fiscal 1999 was \$12.5 million and \$22.9 million, respectively. The increase was primarily due to the increase in the Company's net income for the

nine months ended January 31, 1999 over the prior fiscal year, an increase in depreciation and amortization and increased closure/post closure accruals.

Cash used in investing activities increased \$24.7 million from \$41.9 million to \$66.6 million in the nine months ended January 31, 1999 over the same period of the prior fiscal year. The increase in investing activities reflects the Company's capital expenditures and capital needs for acquisitions, reflecting the Company's rapid growth by acquisition and development of revenue producing assets. The Company's cash needs to fund investing activities are expected to increase further as the Company continues to complete acquisitions.

Net cash provided by financing activities was \$41.7 million in the nine months ended January 31, 1999 compared to \$31.7 million for the same period of the prior year. The net cash provided by financing activities in the current fiscal year reflects the net proceeds of the follow-on offering and borrowings on the Company's credit facility, offset by repayments. Net cash provided by financing activities in the comparable period of the prior year reflects primarily bank borrowings and seller subordinated notes, less principal payments on debt.

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 events, 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.

Year 2000 Issues

The approach of the Year 2000 has raised concerns about the ability of information and non-information systems, primarily computer software programs, to properly recognize and process date sensitive information as the Year 2000 approaches. The Company has completed numerous acquisitions in recent years, and the information systems of a limited number of these acquired operations have

not been fully integrated with the Company's information systems. This integration will occur within the next few months. The Company has, and continues to perform routine updates of all software and hardware systems to facilitate Year 2000 compliance. The Company cannot reasonably estimate Year 2000 implementation costs at this point, but expects to have reasonable estimates by the end of the current fiscal year. While some non-critical systems may not be addressed until after the current fiscal year, the Company believes such systems will not disrupt the Company's operations in a material manner. The Company expects to have formulated any contingency plans by the end of the current fiscal year.

The Company uses well-regarded nationally known software vendors for both its general accounting applications and industry-specific customer information and billing systems. The Company has been informed that all mission critical application software is fully Year 2000 compliant.

The Company's current banking arrangement is with an international banking institution which has informed the Company that it is taking all necessary steps to insure its customers' uninterrupted service throughout applicable Year 2000 time frames. The Company's payroll is performed out-of-house by the largest provider of third party payroll services in the country, which has made a commitment of uninterrupted service to their customers throughout applicable Year 2000 time frames.

The Company is currently in the process of replacing all older personal computers and servers. Two items remain to be completed in our Year 2000 compliance strategy, replacing 16 weight measurement systems that are currently not compliant, and the final testing of all systems. The Company's current plan will be fully Year 2000 compliant by August, 1999.

No single customer represents more than one percent of the Company's revenues, and we do not expect any material effect on the Company's revenues in the event of an individual customer experiencing Year 2000 problems. The Company believes that the same is true of any of the Company's suppliers of goods and services.

EBITDA

EBITDA 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 thousands:

	Three months ended		Nine months ended	
	1/31/98	1/31/99	1/31/98	1/31/99
Operating income	\$2,645	\$ 4,933	\$ 9,745	\$15,715
Depreciation and amortization	5,024	6,085	14,316	17,757
EBITDA	\$7,669	\$11,018	\$24,061	\$33,472
EBITDA as a percentage of revenue	22.7%	27.4%	23.9%	27.0%

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

Certain Factors That May Affect Future Results

The following important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Quarterly Report and presented elsewhere by management from time to time.

The Company is party to an Agreement and Plan of Merger with KTI, Inc. There can be no assurance that the merger will take place on the anticipated timetable, if at all, or if it does, that it will result in the synergies and other benefits anticipated by the two companies.

In connection with the merger with KTI, the Company will be required to obtain a new credit facility. Although the Company is in the process of negotiating a new credit facility, there can be no assurance that it will obtain such a credit facility in the amount, or on the timetable, sought by the Company. In the event that it is unable to obtain a sufficient credit facility, the Company's acquisition program, results of operations and financial condition could be materially and adversely affected.

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. Such growth, if it were to occur, could place a significant strain on the Company's management and operational, financial and other resources.

The Company has incurred net losses in the past. There can be no assurance that the Company will be profitable in the future.

The Company's strategy envisions that a substantial part of the Company's future growth will come from making acquisitions consistent with its strategy. 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. Certain of these acquisitions may be of significant size and may include assets that are outside the Company's geographic territories or are ancillary to the Company's core business strategy.

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. In addition, the Company's future success depends on its continuing ability to identify, hire, train, motivate and retain highly trained personnel.

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. 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 its capital requirements.

The Company's operating program depends on its ability to operate and expand the landfills it owns and leases and to develop new landfill sites. Several of the Company's landfills are subject to local laws purporting to regulate their expansion and other aspects of their operations. There can be no assurance that the laws adopted by municipalities in which the Company's landfills are located will not have a material adverse effect on the Company's utilization of its landfills or 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On May 12, 1998, the Company filed suit in New York Supreme Court, Allegany 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, would require the landfill and the operator thereof to receive an additional permit from the Town of Angelica to continue to operate, would prevent the disposal of yard waste, may preclude the disposal of certain types of industrial waste and would impose certain other restrictions on the landfill. A temporary restraining order was granted by the court on May 14, 1998 in favor of the Company, and by a decision dated July 13, 1998, the court granted the Company's motion for a preliminary injunction. On September 9, 1998, the Town of

Angelica filed a Notice of Appeal but has not yet perfected that appeal. If the Company is not successful in its lawsuit, and if the Town of Angelica seeks to enforce the law by its terms, then the Company would be required to obtain an additional permit from the Town of Angelica to operate the Hyland landfill, the expansion of the landfill beyond the current permitted capacity would be prohibited, and the Company would be unable to dispose of yard waste and may be precluded from disposing of industrial waste at the landfill. There can be no assurance that such limitations would not have a material adverse effect on the Company's business, financial condition and results of operations. The Company began accepting

waste at the Hyland facility on July 22, 1998.

The Company's wholly-owned subsidiary, North Country Environmental Services, Inc. ("NCES"), is a party to consolidated civil actions (Case Nos. 98-E-141 and 98-E-151) against the Town of Bethlehem, New Hampshire (the "Town"), before the Grafton Superior Court in North Haverhill, New Hampshire. On October 16, 1998, NCES commenced an action for declaratory relief against the Town seeking, on a variety of grounds, to invalidate a Town zoning ordinance which purports to prohibit the expansion of NCES's landfill beyond its current capacity. It is the Town's position that NCES may not expand the landfill beyond Stage II, Phase I, which NCES believes will be at capacity in early 1999. NCES has also sought a declaration that it requires no further approvals from the Town to expand the landfill throughout its 87-acre parcel and that certain financial exactions imposed by a 1986 Town land-use approval are invalid. In the alternative, NCES has sought compensation under state law for the inverse condemnation of its property.

On October 23, 1998, the Town filed a petition for injunctive and declaratory relief against NCES. The Town's petition sought to enjoin NCES's construction of Stage II, Phase II of the landfill and to prevent any further expansion as violative of the above-noted Town zoning ordinance. The construction of Stage II, Phase II was proceeding pursuant to a construction permit issued by the New Hampshire Department of Environmental Services (NHDES) on September 15, 1998. On October 30, 1998, the court entered a preliminary injunction requiring NCES to suspend construction of Stage II, Phase II. When the Town failed to post an injunction bond, however, the court permitted NCES to complete and cover the liner system in Stage II, Phase II, before the onset of winter.

NCES may not commence operations in Stage II, Phase II, until NHDES issues an operating permit. NHDES has notified NCES that it will not issue operating approval until the litigation with the Town is resolved in some fashion. On November 30, 1998, NCES and the Town proceeded to trial on eight of NCES's eleven claims for relief and on the Town's claims for permanent injunctive and declaratory relief. Earlier, the remaining three NCES claims were bifurcated for later trial, if needed. On the day of trial, the Town filed two counterclaims seeking to establish the lawfulness of the financial exactions challenged by NCES's October 16, 1998, petition.

The Grafton Superior Court issued its order on NCES's first eight claims and the Town's request for a permanent injunction and declaratory relief on February 1, 1999. The court declined to decide whether the Town's zoning ordinance is valid; rather, the court held that NCES had appropriated a 51-acre tract of land comprised of a 10-acre and a 41-acre parcel for landfilling purposes. The court also found that NCES had obtained permission to operate its landfill facility on this 51-acre tract prior to the enactment of the challenged zoning ordinance and held that the challenged zoning ordinance did not apply to NCES's operation of its landfill facility on this tract. Consequently, the court held that the Town lacked authority to enforce the challenged zoning ordinance against NCES with respect to the 51-acre tract and denied the Town's petition in its entirety. The court did not decide the validity of the challenged zoning ordinance as it relates to 36 acres adjoining the 51-acre tract after finding that NCES had not demonstrated a present intent to develop this property for landfilling. Consequently, NCES's ability to use this 36 acres for landfilling remains unclear.

On February 10, 1999, the Town moved the Grafton Superior Court to clarify and reconsider its order. NCES objected to this motion. The court has not yet ruled on the Town's motion, and NCES does not know when the court may rule. The Town may appeal any decision of the Grafton Superior Court that permits NCES to construct and operate its landfill facility beyond its current footprint. NCES

cannot predict the outcome of either the Town's motion to reconsider or any eventual appeal.

The Company is not aware of any other non-routine or incidental material legal proceedings.

ITEM 2. CHANGES IN SECURITIES

Changes in Rights and Classes of Stock

None.

Sales of Unregistered Securities

During the quarter ended January 31, 1999 the Company had the following sales of unregistered securities:

On November 18, 1998, DeNovo Foreign Trust exercised warrants to purchase 15,000 shares of the Company's Class A Common Stock in exchange for cash consideration of \$108,750. 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.

No underwriters were involved in the foregoing issuances of securities.

ITEM 3. DEFAULTS ON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

27 Financial Data Schedule for Period Ended January 31, 1999
Restated Financial Data Schedule for Period Ended January 31,
1998

(b) Reports on Form 8-K:

On January 13, 1999, the Company filed a Report on Form 8-K reporting the execution of an Agreement and Plan of Merger between the Company and KTI, Inc. and attaching the press release issued in connection with such agreement.

On January 21, 1999, the Company filed a Report on Form 8-K attaching the Agreement and Plan of Merger between the Company and KTI, Inc.

SIGNATURE

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

Casella Waste Systems, Inc.

Date: March 15, 1999

By: /s/ Jerry Cifor

Jerry Cifor
Vice President and
Chief Financial Officer

(Principal Financial and
Accounting Officer and
Duly Authorized Officer)

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