UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

(Mark One)

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

For the fiscal year ended April 30, 2005

Or

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

For the transition period from to

Commission file number 000-23211

CASELLA WASTE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act: **None.**

Securities registered pursuant to Section 12(g) of the Act:
Class A common stock, $.01 per share par value

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

The aggregate market value of the common equity held by non-affiliates of the registrant, based on the last reported sale price of the registrant's Class A common stock on the NASDAQ Stock Market at the close of business on October 31, 2004 was $294,440,791. The Company does not have any non-voting common stock outstanding.

There were 23,860,498 shares of Class A common stock, $.01 par value per share, of the registrant outstanding as of June 15, 2005. There were 988,200 shares of Class B common stock, $.01 par value per share, of the registrant outstanding as of June 15, 2005.

Documents Incorporated by Reference

Items 10, 11, 12, 13 and 14 of Part III (except for information required with respect to executive officers of the Company, which is set forth under Part I – Business - "Executive Officers and Other Key Employees of the Company" and with respect to certain equity compensation plan information which is set forth under Part III-"Equity Compensation Plan Information") have been omitted from this Annual Report on Form 10-K, since the Company expects to file with the Securities and Exchange Commission, not later than 120 days after the close of its fiscal year, a definitive proxy statement. The information required by Items 10, 11, 12, 13 and 14 of Part III of this report, which will appear in the definitive proxy statement, is incorporated by reference into this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

Casella Waste Systems, Inc. is a vertically-integrated regional solid waste services company that provides collection, transfer, disposal and recycling services to residential, industrial and commercial customers, primarily in the eastern United States. We believe we are currently the number one or number two provider of solid waste collection services in 80% of the areas served by our collection divisions. As of June 15, 2005, we owned and/or operated eight Subtitle D landfills, two landfills permitted to accept construction and demolition materials, 37 solid waste collection operations, 34 transfer stations, 38 recycling facilities, one waste-to-energy facility and a 50% interest in a joint venture that manufactures, markets and sells cellulose insulation made from recycled fiber.

Overview of Our Business

Background. Casella Waste Systems, Inc. a Delaware Corporation, was founded in 1975 as a single truck operation in Rutland, Vermont and subsequently expanded to include operations in New Hampshire, Maine, upstate New York, northern Pennsylvania and eastern Massachusetts. In 1993, we 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 services industry. In 1995, we expanded our operations from Vermont and New Hampshire to Maine with the acquisition of the companies comprising New England Waste Services of ME, Inc., and in January 1997 we established a market presence in upstate New York and northern Pennsylvania through our acquisition of Superior Disposal Services, Inc.'s business.

In 1997, we raised $50.2 million from the initial public offering of shares of our Class A common stock. In 1998, we raised an additional $41.3 million through a follow-on public offering of an additional 1.6 million shares of Class A common stock. In August 2000, we sold 55,750 shares of our Series A redeemable convertible preferred stock to Berkshire Partners LLC, an investment firm, and other investors for $55.8 million.

In December 1999, we acquired KTI, an integrated provider of waste processing services, for aggregate consideration of $340.0 million. KTI represented a unique opportunity to acquire disposal capacity and collection operations in our primary market area and in contiguous markets in eastern Massachusetts, as well as other businesses which fit within our operating strategy. Following our acquisition of KTI in December 1999 through 2002, we focused on the integration of KTI and the divestiture of non-core KTI assets.

From 2003 to date, we have focused on building our disposal capacity within our footprint, using our partnership model. We believe we have been successful, since we have added Hardwick and Southbridge in Massachusetts, Ontario in upper New York State and West Old Town in Maine, as well as expanded our annual permit limits and overall capacity at our other sites that we own or operate. In fiscal year 2004 we were successful in securing an increase of our permitted volume capacity from 417 to 1,000 tons per day at our Hakes landfill facility. At our Waste USA landfill facility, the annual permitted volume was amended in fiscal year 2005 to allow 370,000 tons per year, an increase of 130,000 tons from previously approved levels. In fiscal year 2005, our Hyland landfill facility received a necessary local approval for the future expansion of an additional 38 acres, representing approximately 5.7 million tons of additional capacity (subject to receipt of permits). The annual tons disposed in our landfills have increased from 1.4 million tons at the beginning of fiscal year 2003 to 2.5 million tons at the end of fiscal year 2005, and total permitted and permittable capacity has increased from 26.1 million tons to 81.7 million tons over the same time frame. We have also closed on 22 tuck-in acquisitions during that time. From May 1, 1994 through April 30, 2005, we have acquired 212 solid waste collection, transfer, recycling and disposal operations.

This objective of building disposal capacity is to increase our vertical integration within our footprint to optimize our control of the waste stream from collection through disposal thereby providing an economic benefit. Internalization of waste refers to the amount of waste that our collection companies collect that is ultimately disposed of in one of our disposal facilities. As a result of our success in building disposal capacity our internalization increased to 56.8% in fiscal year 2005 from 53.2% in fiscal year 2004.

Solid Waste Operations

Our solid waste operations comprise a full range of non-hazardous solid waste services, including collection operations,

transfer stations, material recycling facilities and disposal facilities.

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

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

Material Recycling Facilities. Our material recycling facilities, or MRFs, receive, sort, bale and resell recyclable materials originating from the municipal solid waste stream, including newsprint, cardboard, office paper, containers and bottles. Through FCR, we operate 19 MRFs in geographic areas not served by our collection divisions or disposal facilities and three in geographic areas served by our collection divisions. Revenues are received from municipalities and customers in the form of processing, tipping fees and commodity sales. These MRFs are large-scale, high-volume facilities that process recycled materials delivered to them by municipalities and commercial customers under long-term contracts. We also operate MRFs as an integral part of our core solid waste operations, which generally process recyclables collected from our various residential collection operations. This latter group is concentrated primarily in Vermont, as the public sector in other states within our core solid waste services market area has generally maintained primary responsibility for recycling efforts.

Disposal Facilities. We dispose of solid waste at our landfills and at our waste-to-energy facility.

Landfills. The following table (in thousands) reflects landfill capacity and airspace changes, as measured in tons, as of April 30, 2003, 2004 and 2005, for landfills we operated during the years then ended:

	April 30, 2003			April 30, 2004			April 30, 2005		
	Estimated Remaining Permitted Capacity in Tons (1)	Estimated Additional Permittable Capacity in Tons (1)(2)	Estimated Total Capacity	Estimated Remaining Permitted Capacity in Tons (1)	Estimated Additional Permittable Capacity in Tons (1)(2)	Estimated Total Capacity	Estimated Remaining Permitted Capacity in Tons (1)	Estimated Additional Permittable Capacity in Tons (1)(2)	Estimated Total Capacity
Balance, beginning of period	8,951	17,185	26,136	7,313	22,314	29,627	15,307	50,337	65,644
Acquisitions	607	422	1,029	9,609	28,353	37,962	—	—	—
New expansions pursued (3)	(183)	5,663	5,480	—	225	225		16,830	16,830
Permits granted (4)	—	—	—	97	—	97	11,453	(11,453)	—
Airspace consumed	(1,373)	—	(1,373)	(1,840)	—	(1,840)	(2,527)	—	(2,527)
Changes in engineering estimates	(689)	(956)	(1,645)	128	(555)	(427)	1,448	294	1,742
Balance, end of period	7,313	22,314	29,627	15,307	50,337	65,644	25,681	56,008	81,689

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

limit on capacity.

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

(3) Does not include certain expansion capacity which we are seeking at our NCES landfill. Since expansion capacity at our NCES landfill has been the subject of litigation, the capacity associated with the litigation, 1.1 million tons with an estimated useful life of 8.5 years, has been omitted. The increase in fiscal year 2005 is primarily due to a determination of additional permittable airspace capacity at our Hyland, West Old Town and Waste USA landfills.

(4) The increase in permitted airspace capacity is associated with permits granted at our Ontario, West Old Town and Waste USA landfill facilities.

NCES. The North Country Environmental Services ("NCES") landfill located in Bethlehem, New Hampshire serves the northern and central wastesheds of New Hampshire and certain contiguous Vermont and Maine wastesheds. Since the purchase of this landfill in 1994, we have experienced expansion opposition from the local town through enactment of restrictive local zoning and planning ordinances. In each case, in order to access additional permittable capacity, we have been required to assert our rights through litigation in the New Hampshire court system. In July 2000, we received approval for approximately 600,000 tons of additional capacity, which we expect to last into fiscal year 2008. In addition, although we received state approval for an additional use of approximately 1.1 million tons, outside the original 51 acres, our right to use that capacity has been limited by a ruling of the New Hampshire Supreme Court.

Waste USA. The Waste USA landfill is located in Coventry, Vermont and serves the major wastesheds associated with the northern two-thirds of Vermont. The landfill is permitted to accept residential and commercially produced municipal solid waste, including pre-approved sludges, and construction and demolition debris. Since our purchase of this landfill in 1995, we have expanded the capacity of this landfill which we expect to last through approximately fiscal year 2026. In fiscal year 2005, the annual permit was increased from 240,000 to 370,000 tons.

Clinton County. The Clinton County landfill, located in Schuyler Falls, New York, is leased from Clinton County pursuant to a 25-year lease which expires in 2021. The landfill serves the principal wastesheds of Clinton, Franklin, Essex, Warren and Washington Counties in New York, and certain selected contiguous Vermont wastesheds. Permitted waste accepted includes municipal solid waste, construction and demolition debris, and special waste which is approved by regulatory agencies. The facility is currently in the final stages of a multi-year landfill expansion permitting process which, if successful, would provide considerable additional volume beyond the current terms of the lease agreement. We have entered into extended agreements with the town and county applicable to this additional volume.

Pine Tree. The Pine Tree landfill is located in Hampden, Maine. It is permitted to accept construction and demolition material, ash, front-end processing residues from the waste-to-energy facilities within the State of Maine and related sludges and special waste which is approved by regulatory agencies. In addition, it is permitted to accept municipal solid waste that is by-pass waste from the Maine Energy Recovery Company, Limited Partnership ("Maine Energy") and Penobscot Energy Recovery Company ("PERC") waste-to-energy facilities, as well as municipal solid waste that is in excess of the processing capacities of other waste-to-energy facilities within the State of Maine. We are currently developing our next expansion plan to seek approval for an additional 3.5 million cubic yards.

Hardwick. The Hardwick landfill, which was acquired in March 2003, located in Hardwick, Massachusetts, is permitted to accept construction and demolition material, municipal solid waste and certain difficult-to-manage wastes. The facility currently is permitted to accept up to 400 tons per day of municipal solid waste with an annual permitted capacity of 82,800 tons of municipal solid waste. The Hardwick landfill is located on an 18-acre property. In addition, we have options to purchase approximately 253 additional acres that are adjacent to the landfill. We estimate that at its current permit limits, the facility has approximately between 10 and 11 years of operating life.

West Old Town. On February 5, 2004, we completed transactions with the State of Maine and Georgia-Pacific, pursuant to which the State of Maine took ownership of the landfill located in West Old Town, Maine formerly owned by Georgia-Pacific and we became the operator of that facility under a 30-year operating and services agreement between us and

the State of Maine. Under the terms of the agreements, we provided to the State of Maine, and the State of Maine provided to Georgia-Pacific an initial cash payment of $26.0 million upon the issuance of an expansion permit for an additional 10 million cubic yards of commercial capacity at the landfill. The permit was issued in April, 2004, subject to appeal. The Pine Tree and West Old Town landfills represent two of the three commercial landfills serving principal wastesheds in the State of Maine.

Southbridge. On November 25, 2003, we acquired Southbridge Recycling and Disposal Park, Inc ("Southbridge Recycling and Disposal"). Southbridge Recycling and Disposal has a contract with the Town of Southbridge, Massachusetts to maintain and operate a 13-acre construction and demolition recycling facility and a 52-acre landfill permitted to accept residuals from the recycling facility and a limited amount of municipal solid waste. The contract has a remaining term of 11 years and is renewable by us for four additional five-year terms or until the landfill has reached full capacity, whichever is greater. The landfill has currently permitted volume of approximately 4.4 million tons and is authorized to accept up to 180,960 tons per year, consisting of 156,000 tons of residual material and 24,960 tons of municipal solid waste.

Maine Energy Waste-to-Energy Facility. We own a waste-to-energy facility, Maine Energy, which generates electricity by processing non-hazardous solid waste. This waste-to-energy facility provides us with important additional disposal capacity and generates power for sale. The facility receives solid waste from municipalities under long-term waste handling agreements and also receives raw materials from commercial and private waste haulers and municipalities with short-term contracts, as well as from our collection operations. Maine Energy is contractually required to sell all of the electricity generated at its facility to Central Maine Power, an electric utility, and guarantees 100% of its electric generating capacity to CL Power Sales One, LLC. Our use of the facility is subject to permit conditions, some of which are opposed by local authorities. See "—Regulation."

Templeton. On June 5, 2003, we entered into a construction, operation and management agreement with the Town of Templeton, Massachusetts for the operation of the Templeton sanitary landfill. On February 19, 2004, voters at a special town meeting approved a town by-law banning out-of-town waste at the landfill and related by-laws. Accordingly, we are seeking to discuss the agreement with officials from the town to determine the appropriate next steps. The landfill permitting and construction process has been delayed indefinitely as a result of the town's actions.

Hyland. The Hyland landfill located in Angelica, New York, serves certain Western region wastesheds located throughout western New York. The facility is permitted to accept all residential and commercial municipal solid waste, construction and demolition debris and special waste which is approved by regulatory agencies. The facility is located on a 600-acre property, which represents considerable additional expansion capabilities. In 1999, as part of a long-term settlement with the Town of Angelica, we entered into an agreement requiring a permissive referendum to expand beyond a pre-agreed footprint. During the 2004 local elections, the town passed the required permissive referendum related to the future expansion of the site. This is the first step in securing a permit modification for an additional 38 acres, representing in excess of 5.7 million tons of additional capacity.

Ontario. We have entered into a 25-year operation, management and lease agreement with the Ontario County Board of Supervisors for the Ontario County Landfill, which is located in the Town of Seneca, New York. We commenced operations on December 8, 2003. This landfill serves the central New York wasteshed and is strategically situated to accept long haul volume from both Eastern and downstate markets. The site consists of a 387 acre landfill permitted to accept 624,000 tons per year of municipal solid waste. During fiscal 2005 we received a permit modification for an additional 3.9 million tons. Additional potential expansions amount to 7.0 million tons.

Hakes. The Hakes construction and demolition landfill, located in Campbell, New York, is permitted to accept only construction and demolition material. The landfill serves the principal rural wastesheds of western New York. We believe that the site has permittable capacity of over 3.9 million tons, based on existing regulatory requirements and local community support. We expect to apply for this expansion during the next 6 months and do not expect substantial opposition from the town. We have entered into a revised long-term host community agreement related to the expansion of the facility. In November 2003 we were successful in securing an increase of our permitted volume capacity from 417 to 1,000 tons per day.

In April 2005, the Company started operations at Worcester landfill, a closure project with approximately 0.8 million tons of available capacity. We also have rights to remaining capacity at a residual landfill in Brockton, Massachusetts totaling approximately 122,000 tons as of April 30, 2005. The Brockton landfill is expected to be closed in late summer of 2005. The Worcester and Brockton landfills are not included in the above table of remaining landfill capacity. In addition, we own and/or operated six unlined landfills which are not currently in operation. All of these landfills have been closed and

capped to applicable environmental regulatory standards by us.

Operating Segments

We manage our solid waste operations on a geographic basis through four regions, which we have designated as the North Eastern, South Eastern, Central and Western regions and which each comprise a full range of solid waste services, and FCR, which comprises our larger-scale non-solid waste recycling and our brokerage operations.

Within each geographic region, we organize our solid waste services around smaller areas that we refer to as "wastesheds." A wasteshed is an area that comprises the complete cycle of activities in the solid waste services process, from collection to transfer operations and recycling to disposal in either landfills or waste-to-energy facilities, some of which may be owned and operated by third parties. We typically operate several divisions within each wasteshed, each of which provides a particular service, such as collection, recycling, disposal or transfer. Each of these divisions is managed as a separate profit center, but operates interdependently with the other divisions within the wasteshed. Each wasteshed generally operates autonomously from adjoining wastesheds.

Through its 22 material recycling facilities, FCR services 28 anchor contracts, which are long-term commitments of five years or greater to guarantee the delivery of all recycled residential recyclables to FCR. These contracts may include a minimum volume guarantee by the municipality. We also have service agreements with individual towns and cities and commercial customers, including small solid waste companies and major competitors that do not have processing capacity within a specific geographic region. The 22 FCR facilities process recyclables collected from approximately 2.6 million households, representing a population of approximately 8.1 million people.

The following table provides information about each solid waste region and FCR (as of June 15, 2005 except revenue information, which is for the fiscal year ended April 30, 2005).

	North Eastern region	South Eastern region	Central region	Western region	FCR Recycling
Revenues (in millions)	$93.4	$89.2	$108.7	$92.7	$82.0
Solid waste collection operations	8	4	12	13	—
Transfer stations	4	5	14	10	1
Recycling facilities	7	2	5	2	22
Subtitle D landfills (2)	Hampden, ME West Old Town, ME	Hardwick, MA	Bethlehem, NH Coventry, VT Schuyler Falls, NY	Angelica, NY Ontario, NY	—
Other disposal facilities (1)	Biddeford, ME	Southbridge, MA	—	Campbell, NY	—

(1) The disposal facility located in Biddeford, Maine is a waste-to-energy facility. The Southbridge, Massachusetts disposal facility is permitted to accept construction and demolition material and a limited amount of municipal solid waste. The disposal facility located in Campbell, New York is a landfill permitted to accept only construction and demolition materials. In April 2005, the Company started operations at Worcester landfill, a closure project with approximately 1.2 million tons of available capacity. We also have rights to the remaining air space capacity at a residual landfill located in Brockton, Massachusetts totaling approximately 122,000 tons as of April 30, 2005. The Brockton landfill is expected to be closed in late summer of 2005.

(2) On June 5, 2003, we entered into a construction, operation and management agreement with the Town of Templeton, Massachusetts for the operation of the Templeton sanitary landfill. On February 19, 2004, voters at a special town meeting approved a town by-law banning out-of-town waste at the landfill and related by-laws. Accordingly, we are seeking to discuss the agreement with officials from the town to determine the appropriate next steps. The landfill permitting and construction process has been delayed indefinitely as a result of the town's actions.

North Eastern region. The North Eastern region consists of wastesheds located in Maine. These wastesheds generally have been affected by the regional constraints on disposal capacity imposed by the public policies of New Hampshire, Maine and Massachusetts which have, over the past 10 years, either limited new landfill development or precluded development of additional capacity from existing landfills. Consequently, the North Eastern region relies more heavily on non-landfill

waste-to-energy disposal capacity than our other regions. Maine Energy is one of four waste-to-energy facilities in the North Eastern region.

We entered the State of Maine in 1996 with our purchase of the assets comprising New England Waste Services of ME., Inc. in Hampden, Maine, which included the Pine Tree landfill. Our acquisition of KTI in 1999 significantly improved our disposal capacity in this region as the acquisition included the Maine Energy waste-to-energy facility and provided an alternative internalization option for our solid waste assets in eastern Massachusetts. In 2004, we obtained the right to operate the West Old Town landfill under a 30 year agreement with the State of Maine. Our major competitor in the State of Maine is Waste Management, Inc., and we have several smaller local competitors.

South Eastern region. We entered eastern Massachusetts in fiscal year 2000 with the acquisition of assets that were divested by Allied Waste Industries, Inc. under court order following its acquisition of Browning Ferris Industries, Inc., and through the acquisition of smaller independent operators. In this region, we rely to a large extent on third party disposal capacity. We believe we have a greater opportunity to increase our internalization rates and operating efficiencies in the South Eastern region through our ownership of the Hardwick landfill, which is currently permitted to accept 400 tons per day of municipal solid waste, and through the Southbridge landfill which is annually permitted to accept 156,000 tons of residual material and 24,960 tons of municipal solid waste. Our primary competitors in eastern Massachusetts are Waste Management, Inc., Allied Waste Industries, Inc., and smaller independent operators.

Central region. The Central region consists of wastesheds located in Vermont, northwestern New Hampshire and eastern upstate New York. The portion of upstate New York served by the Central region includes Clinton (operation of the Clinton County landfill), Franklin, Essex, Warren, Washington, Saratoga, Rennselaer and Albany counties. Our Waste USA landfill in Coventry, Vermont is one of only two permitted Subtitle D landfills in Vermont, and our NCES landfill in Bethlehem, New Hampshire is one of only six permitted Subtitle D landfills in New Hampshire. In the Central region, there are a total of 13 permitted Subtitle D landfills.

The Central region has become our most mature operating platform, as we have operated in this region since our inception in 1975. We have achieved a high degree of vertical integration of the wastestream in this region, resulting in stable cash flow performance. In the Central region, we also have a market leadership position. Our primary competition in the Central region comes from Waste Management, Inc. and Allied Waste Industries, Inc. in the larger population centers (primarily southern New Hampshire and Eastern New York) and from smaller independent operators in the more rural areas. As our most mature region, we believe that future operating efficiencies will be driven primarily by improving our core operating efficiencies and providing enhanced customer service.

Western region. The Western region consists of wastesheds in upstate New York (which includes Ithaca, Elmira, Oneonta, Lowville, Potsdam, Geneva, Auburn, Buffalo, Jamestown and Olean) and northern Pennsylvania (Wellsboro). We entered the Western region with our acquisition of Superior Disposal Services, Inc.'s business in 1997 and have consistently expanded in this region largely through tuck-in acquisitions and internal growth. Our collection operations include leadership positions in nearly every rural market in the Western region outside of larger metropolitan markets such as Syracuse, Rochester and Albany.

While we have achieved strong market positions in this region, we remain focused on increasing our vertical integration through the acquisition or privatization and operation of additional disposal capacity in the market. As compared to our other operating regions, the Western region, where we own the Hyland and Hakes landfills and operate the Ontario County landfill, presently contains an excess of disposal capacity as a result of the proliferation during the 1990s of publicly-developed Subtitle D landfills. As a result, we believe that opportunities exist for us to enter into long-term leasing arrangements and other strategic partnerships with county and municipal governments for the operation and/or utilization of their landfills, similar to our new long-term lease for the Ontario County landfill. We expect that successful implementation of this strategy will lead to improved internalization rates.

Our primary competitors in the Western region are Waste Management, Inc. and Allied Waste Industries, Inc. in the larger urban areas and smaller independent operators in the more rural markets.

FCR Recycling. FCR Recycling is one of the largest processors and marketers of recycled materials in the eastern United States, comprising 22 material recycling facilities that process and then market recyclable materials that municipalities and commercial customers deliver to it under long-term contracts. Eight of FCR's facilities are leased, seven are owned and seven are under operating contracts. In fiscal year 2005, FCR processed and marketed approximately

1.1 million tons of recyclable materials. FCR's facilities are principally located in key urban markets, including in Connecticut; North Carolina; New Jersey; Florida; Tennessee; Georgia; Michigan; New York; South Carolina; Massachusetts; Wisconsin; Maine; and Halifax, Canada.

A significant portion of the material provided to FCR is delivered pursuant to 28 anchor contracts, which are long-term contracts. The anchor contracts generally have an original term of five to ten years and expire at various times between 2005 and 2028. The terms of each of the contracts vary, but all the contracts provide that the municipality or a third party delivers materials to our facility. In approximately one-fourth of the contracts, the municipalities agree to deliver a guaranteed tonnage and the municipality pays a fee for the amount of any shortfall from the guaranteed tonnage. Under the terms of the individual contracts, we charge the municipality a fee for each ton of material delivered to us. Some contracts contain revenue sharing arrangements under which the municipality receives a specified percentage of the revenues from the sale by us of the recovered materials.

FCR derives a significant portion of its revenues from the sale of recyclable materials. The purchase and sale prices of recyclable materials, particularly newspaper, corrugated containers, plastics, ferrous and aluminum, can fluctuate based upon market conditions. We use long-term supply contracts with customers with floor price arrangements to reduce the commodity risk for certain recyclables, particularly newspaper, cardboard, plastics, aluminum and metals. Under such contracts, we obtain a guaranteed minimum price for the recyclable materials along with a commitment to receive additional amounts if the current market price rises above the floor price. The contracts are generally with large domestic companies that use the recyclable materials in their manufacturing process, such as paper, packaging and consumer goods companies. In fiscal year 2005, 49% of the revenues from the sale of recyclable materials of the residential recycling segment were derived from sales under long-term contracts with floor prices. We also hedge against fluctuations in the commodity prices of recycled paper and corrugated containers in order to mitigate the variability in cash flows and earnings generated from the sales of recycled materials at floating prices. As of April 30, 2005, we were party to thirty-three commodity hedge contracts. These contracts expire between May 2005 and April 2008.

As part of our acquisition of KTI, we had acquired brokerage businesses which were focused on domestic and export markets. In September 2002, we transferred our export brokerage operations to employees who had been responsible for managing that business. Effective April 1, 2004, the transfer of those export brokerage operations were reflected as a sale for total consideration of approximately $5.0 million. The gain on the sale amounted to approximately $1.1 million. In June 2003, we transferred our domestic brokerage operations and a commercial recycling business to employees who managed those businesses. The brokerage businesses derived all of their revenues from the sale of recyclable materials, predominately old newspaper, old corrugated cardboard, mixed paper and office paper. The brokers in the brokerage operation were required to identify both the buyer and the seller of the recyclable materials before committing to broker the transaction, thereby minimizing pricing risk, and were not permitted to enter into speculative trading of commodities.

During the second quarter of fiscal 2005, we completed the sale of the assets of Data Destruction Services, Inc. (Data Destruction) for cash sale proceeds of $3.0 million. This shredding operation had been historically accounted for as a component of continuing operations as part of the FCR Recycling region up until its sale. The transaction required discontinued operations treatment under SFAS No. 144, therefore the operating results of Data Destruction have been reclassified from continuing to discontinued operations in fiscal 2003, 2004 and 2005. Also in connection with the discontinued accounting treatment, the loss (net of tax) from the sale amounting to $0.1 million has been recorded and classified as a loss on disposal of discontinued operations.

GreenFiber Cellulose Insulation Joint Venture

We are a 50% partner in US GreenFiber LLC ("GreenFiber"), a joint venture with Louisana-Pacific. GreenFiber, which we believe is the largest manufacturer of high quality cellulose insulation for use in residential dwellings and manufactured housing, was formed through the combination of our cellulose operations, which we acquired in our acquisition of KTI, with those of Louisiana-Pacific. Based in Charlotte, North Carolina, GreenFiber has a national manufacturing and distribution capability and sells to contractors, manufactured home builders and retailers, including Home Depot, Inc. GreenFiber has eleven manufacturing facilities, located in Atlanta, Georgia; Charlotte, North Carolina; Delphos, Ohio; Elkwood, Virginia; Norfolk, Nebraska; Phoenix, Arizona; Sacramento, California; Tampa, Florida; Denver, Colorado; and Waco, Texas. GreenFiber utilizes a hedging strategy to help stabilize its exposure to fluctuating newsprint costs, which generally represent approximately 62% of its raw material costs, and is a major purchaser of FCR Recycling fiber material produced at various facilities. GreenFiber, which we account for under the equity method, had revenues of $136.4 million for the twelve months ended April 30, 2005. For the same period, we recognized equity income from GreenFiber of $2.9 million.

Competition

The solid waste services industry is highly competitive. We compete for collection and disposal volume primarily on the basis of the quality, breadth and price of our services. From time to time, competitors may reduce the price of their services in an effort to expand market share or to win a competitively bid municipal contract. These practices may also lead to reduced pricing for our services or the loss of business. In addition, competition exists within the industry not only for collection, transportation and disposal volume, but also for acquisition candidates.

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

The insulation industry is highly competitive and labor intensive. In our cellulose insulation manufacturing activities, GreenFiber, our joint venture with Louisiana-Pacific Corporation, competes primarily with manufacturers of fiberglass insulation such as Owens Corning, CertainTeed Corporation and Johns Manville. These manufacturers have significant market shares and are substantially better capitalized than GreenFiber.

Marketing and Sales

We have a coordinated marketing and sales strategy, which is formulated at the corporate level and implemented at the divisional level. We market our services locally through division managers and direct sales representatives who focus on commercial, industrial, municipal and residential customers. We also obtain new customers from referral sources and our general reputation. 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 our marketing plan, and many of our managers are involved in local governmental, civic and business organizations. Our name and logo, or, where appropriate, that of our divisional operations, are displayed on all our containers and trucks. Additionally, we attend and make presentations at municipal and state conferences and advertise in governmental associations' membership publications.

We market our commercial, industrial and municipal services through our 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. We emphasize providing quality service and customer satisfaction, and believe that our focus on quality service will help retain existing and attract additional customers.

Employees

As of June 15, 2005, we employed approximately 2,600 people, including approximately 500 professionals or managers, sales, clerical, data processing or other administrative employees and approximately 2,100 employees involved in collection, transfer, disposal, recycling or other operations. Approximately 117 of our employees are covered by collective bargaining agreements. We believe relations with our employees to be satisfactory.

Risk Management, Insurance and Performance or Surety Bonds

We actively maintain environmental and other risk management programs, which we believe are appropriate for our business. Our environmental risk management program includes evaluating existing facilities, as well as potential acquisitions, for environmental law compliance and operating procedures. We also maintain a worker safety program, which encourages safe practices in the workplace. Operating practices at all of our operations are intended to reduce the possibility of environmental contamination and litigation.

We carry a range of insurance intended to protect our assets and operations, including a commercial general liability

policy and a property damage policy. A partially or completely uninsured claim against us (including liabilities associated with cleanup or remediation at our facilities), if successful and of sufficient magnitude, could have a material adverse effect on our business, financial condition and results of operations. Any future difficulty in obtaining insurance could also impair our ability to secure future contracts, which may be conditioned upon the availability of adequate insurance coverage.

Effective July 1, 1999, we established a captive insurance company, Casella Insurance Company, through which we are self-insured for worker's compensation and, effective May 1, 2000, automobile coverage. Our maximum exposure in fiscal 2005 under the worker's compensation plan is $750,000 per individual event with a $1,000,000 aggregate limit, after which reinsurance takes effect. Our maximum exposure under the automobile plan is $750,000 per individual event with a $3,000,000 aggregate limit, after which reinsurance takes effect.

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. While we have not experienced difficulty in obtaining these financial instruments, if we were unable to obtain these financial instruments in sufficient amounts or at acceptable rates we could be precluded from entering into additional municipal solid waste collection contracts or obtaining or retaining landfill operating permits.

Customers

We provide our collection services to commercial, industrial and residential customers. A majority of our 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. Our residential collection and disposal services are performed either on a subscription basis (i.e., with no underlying contract) with individuals, or through contracts with municipalities, homeowners associations, apartment owners or mobile home park operators.

Maine Energy is contractually required to sell all of the electricity generated at its facilities to Central Maine Power, an electric utility, pursuant to a contract that expires in 2012, and guarantees 100% of its electricity generating capacity to CL Power Sales One, LLC, pursuant to a contract that expires in 2007.

FCR provides recycling services to municipalities, commercial haulers and commercial waste generators within the geographic proximity of the processing facilities. We also acted as a broker of recyclable materials, principally to paper and box board manufacturers in the United States, Canada, the Pacific Rim, Europe, South America and Asia, until these businesses were sold as described above.

Our cellulose insulation joint venture, GreenFiber, sells to contractors, manufactured home builders and retailers.

Raw Materials

Maine Energy received approximately 24% of its solid waste in fiscal year 2005 from 19 Maine municipalities under long-term waste handling agreements. Maine Energy also receives raw materials from commercial and private waste haulers and municipalities with short-term contracts, as well as from our own collection operations.

In fiscal year 2005, FCR received approximately 49% of its material under long-term agreements with municipalities. These contracts generally provide that all recyclables collected from the municipal recycling programs shall be delivered to a facility that is owned or operated by us. The quantity of material delivered by these communities is dependent on the participation of individual households in the recycling program.

The primary raw material for our insulation joint venture is newspaper. In fiscal year 2005, GreenFiber received approximately 15% of the newspaper used by it from FCR. It purchased the remaining newspaper from municipalities, commercial haulers and paper brokers. The chemicals used to make the newspaper fire retardant are purchased from industrial chemical manufacturers located in the United States and South America.

Seasonality

Our transfer and disposal 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:

- the volume of waste relating to construction and demolition activities decreases substantially during the winter months in the eastern United States; and

- decreased tourism in Vermont, New Hampshire, 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 increased volume in the winter ski industry.

Since certain of our 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 typically result in increased operating costs.

The recycling segment experiences increased volumes of newspaper in November and December due to increased newspaper advertising and retail activity during the holiday season. The insulation business experiences lower sales in November and December because of lower production of manufactured housing due to holiday plant shutdowns.

Regulation

Introduction

We are 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 us are administered by the United States Environmental Protection Agency ("EPA") and other federal, state and local environmental, zoning, health and safety agencies. Failure to comply with such requirements could result in substantial costs, including civil and criminal fines and penalties. Except as described in this Form 10-K, we believe that we are currently in substantial compliance with applicable federal, state and local environmental laws, permits, orders and regulations. We do not currently anticipate any material environmental costs to bring our operations into compliance, although there can be no assurance in this regard in the future. We expect that our operations in the solid waste services industry will be subject to continued and increased regulation, legislation and regulatory enforcement actions. We attempt to anticipate future legal and regulatory requirements and to carry out plans intended to keep our operations in compliance with those requirements.

In order to transport, process, incinerate, or dispose of solid waste, it is necessary for us to possess and comply with one or more permits from federal, state and/or local agencies. We must review these permits periodically, and the permits may be modified or revoked by the issuing agency.

The principal federal, state and local statutes and regulations applicable to our various operations are as follows:

The Resource Conservation and Recovery Act of 1976, as amended ("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 non-hazardous. Wastes are generally classified as hazardous if they (1) either (a) are specifically included on a list of hazardous wastes, or (b) exhibit certain characteristics defined as hazardous, and (2) are not specifically designated as non-hazardous. Wastes classified as hazardous under RCRA are subject to more extensive regulation than wastes classified as non-hazardous, and businesses that deal with hazardous waste are subject to regulatory obligations in addition to those imposed on handlers of non-hazardous waste.

Among the wastes that are specifically designated as non-hazardous are household waste and "special" waste, including items such as petroleum contaminated soils, asbestos, foundry sand, shredder fluff and most non-hazardous 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. 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 those businesses treat, store or dispose of such material. 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 modeled on some or all of the Subtitle C provisions issued by the EPA, and in many instances the EPA has delegated to those states the principal role in regulating businesses which are subject to those requirements. Some state regulations impose different, additional obligations.

We currently do not accept for transportation or disposal hazardous substances (as defined in CERCLA, discussed below) in concentrations or volumes that would classify those materials as hazardous wastes. However, we have transported hazardous substances in the past and very likely will transport and dispose of hazardous substances in the future, to the extent that materials defined as hazardous substances under CERCLA are present in consumer goods and in the non-hazardous waste streams of our customers.

We do not accept hazardous wastes for incineration at our waste-to-energy facility. We typically test ash produced at our waste-to-energy facility on a regular basis; that ash generally does not contain hazardous substances in sufficient concentrations or volumes to result in the ash being classified as hazardous waste. However, it is possible that future waste streams accepted for incineration could contain elevated volumes or concentrations of hazardous substances or that legal requirements will change, and that the resulting incineration ash would be classified as hazardous waste.

Leachate generated at our landfills and transfer stations is tested on a regular basis, and generally is not regulated as a hazardous waste under federal or state law. In the past, however, leachate generated from certain of our landfills has been classified as hazardous waste under state law, and there is no guarantee that leachate generated from our facilities in the future will not be classified under federal or state law as hazardous waste.

In October 1991, the EPA adopted the Subtitle D regulations under RCRA 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. Regulations generally require us to install groundwater monitoring wells at virtually all landfills we operate, to monitor groundwater quality and, indirectly, the effectiveness of the leachate collection systems. The Subtitle D regulations also require facility owners or operators to control emissions of landfill gas (including methane) generated at landfills exceeding certain regulatory thresholds. State landfill regulations must meet these requirements or the EPA will impose such requirements upon landfill owners and operators in that state. Each state also must adopt and implement a permit program or other appropriate system to ensure that landfills within the state comply with the Subtitle D regulatory criteria. Various states in which we operate or in which we 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, as amended ("Clean Water Act")

The Clean Water Act regulates the discharge of pollutants into the "waters of the United States" from a variety of sources, including solid waste disposal sites and transfer stations, processing facilities and waste-to-energy facilities (collectively, "solid waste management facilities"). If run-off or collected leachate from our solid waste management facilities, or process or cooling waters generated at our waste-to-energy facility, is discharged into streams, rivers or other surface waters, the Clean Water Act would require us to apply for and obtain a discharge permit, conduct sampling and monitoring and, under certain circumstances, reduce the quantity of pollutants in such discharge. A permit also may be required if that run-off, leachate, or process or cooling water is discharged to a treatment facility that is owned by a local municipality. Numerous states have enacted regulations, which are equivalent to those issued under the Clean Water Act, but which also regulate the discharge of pollutants to groundwater. Finally, virtually all solid waste management facilities must comply with the EPA's storm water regulations, which regulate the discharge of impacted storm water to surface waters.

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

CERCLA established a regulatory and remedial program intended to provide for the investigation and remediation of facilities where or from which a release of any hazardous substance into the environment has occurred or is threatened. CERCLA has been interpreted to impose retroactive strict, and under certain circumstances, joint and several, liability for investigation and 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 certain

transporters of the hazardous substances. In addition, CERCLA imposes liability for the costs of evaluating and addressing damage 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 be based on the existence of any of 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 we were found to be a responsible party for a CERCLA cleanup, the enforcing agency could hold us, under certain circumstances, or any other responsible party, responsible for all investigative and remedial costs, even if others also were liable. CERCLA also authorizes EPA to impose 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 share of investigative and remedial costs. Our ability to get others to reimburse us for their allocable share of such costs would be limited by our ability to identify and locate other responsible parties and prove the extent of their responsibility and by the financial resources of such other parties.

The Clean Air Act of 1970, as amended ("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 the landfill was constructed and the annual volume of emissions. 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 where levels of regulated pollutants exceed certain thresholds 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 under the Clean Air Act.

The Clean Air Act regulates emissions of air pollutants from our waste-to-energy facility and certain of our processing facilities. The EPA has enacted standards that apply to those emissions. It is possible that the EPA, or a state where we operate, will enact additional or different emission standards in the future.

All of the federal statutes described above authorize lawsuits by private citizens to enforce certain 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 private parties successfully advancing such an action.

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

OSHA establishes employer responsibilities and authorizes the Occupational Safety and Health Administration to promulgate 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 our 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 we now operate or may operate in the future has laws and regulations governing the generation, storage, treatment, handling, processing, transportation, incineration and disposal of solid waste, water and air pollution and, in most cases, the siting, design, operation, maintenance, closure and post-closure maintenance of solid waste management facilities. In addition, many states have adopted statutes comparable to, and in some cases more stringent than, CERCLA. These statutes impose requirements for investigation and remediation of contaminated sites and liability for costs and damages associated with such sites, and some authorize the state to impose liens to secure costs expended addressing contamination on property owned by responsible parties. Some of those liens may take priority over previously filed instruments. Furthermore, many municipalities also have ordinances, laws and regulations affecting our 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 we operate landfills could limit or prohibit the importation of out-of-state waste. Such actions could materially and adversely affect the business, financial condition and results of operations of any of our landfills within those states that receive a significant portion of waste originating from out-of-state.

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 rejected as unconstitutional, and therefore invalid, a local ordinance that sought to limit waste going out of the locality by imposing a requirement that the waste be delivered to a particular facility. However, it is uncertain how that precedent will be applied in different circumstances. For example, in 2002, the U.S. Supreme Court decided not to hear an appeal of a federal Appeals Court decision that held that the flow control ordinances directing waste to a publicly owned facility are not per se unconstitutional and should be analyzed under a standard that is less stringent than if waste had been directed to a private facility. The less stringent standard was applied to the facts of that case by the U.S. District Court, which ruled in March 2005 in a favor of upholding the flow control regulations in Oneida and Herkimer Counties in New York. The ruling was again appealed to the federal Appeals Court, which is expected to uphold the ruling. Additionally, certain state and local jurisdictions continue to seek to enforce such restrictions and, in certain cases, we may elect not to challenge such restrictions. Further, some proposed federal legislation would allow states and localities to impose flow restrictions. Those restrictions could reduce the volume of waste going to landfills or transfer stations in certain areas, which may materially adversely affect our ability to operate our facilities and/or affect the prices we can charge for certain services. Those restrictions also may result in higher disposal costs for our collection operations. In sum, flow control restrictions could have a material adverse effect on our business, financial condition and results of operations.

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 and leaves, beverage containers, newspapers, household appliances and batteries. Regulations reducing the volume and types of wastes available for transport to and disposal in landfills could affect our ability to operate our landfill facilities.

Our waste-to-energy facility has been certified by the Federal Energy Regulatory Commission as a “qualifying small power production facility” under the Public Utility Regulatory Policies Act of 1978, as amended (“PURPA”). PURPA exempts qualifying facilities from most federal and state laws governing electric utility rates and financial organization, and generally requires electric utilities to purchase electricity generated by qualifying facilities at a price equal to the utility’s full “avoided cost.”

Our waste-to-energy business is dependent upon our ability to sell the electricity generated by our facility to an electric utility or a third party such as an energy marketer. Maine Energy currently sells electricity to an electric utility under a long-term power purchase agreement. When that agreement expires, or if the electric utility were to default under the agreement, there is no guarantee that any new agreement would contain a purchase price as favorable as the one in the current agreement.

With regard to the odor control system at our waste-to-energy facility in Biddeford, Maine involving the redirection of our air emissions through scrubbers and scrubber vents, we applied to the City of Biddeford for approval of an increase in the height of our scrubber vents and a change in our odor control chemicals. The vent height increase needed approval by both the Planning Board and the Zoning Board of Appeals (“ZBA”). The City Council opposed our proposal and it was denied by the Biddeford Zoning Board of Appeals. We appealed the ZBA denial to York County Superior Court. By order of the Court dated June 2, 2005, the parties are scheduled to report to the Court by December 1, 2005 whether to seek a further continuance in light of ongoing settlement negotiations or to set a date for oral argument. The Biddeford Planning Board approved our request to test alternative odor control chemicals as part of the control system during the summer of 2002 but postponed any approval of the vent height increase. The test of odor control chemicals showed that none of the three chemicals tested is more effective than water. Based on the test results, we withdrew our request to test alternative odor control for the chemicals. Based on the opposition of the City Council to the vent height increase, we also withdrew that portion of our planning board application. Notwithstanding our withdrawal of that application, the Planning Board voted to conditionally approve Maine Energy’s use of alternative odor control chemicals and to require Maine Energy to evaluate

certain other control technologies. Based on the absence of an application before the Planning Board, Maine Energy is disputing the jurisdiction of the Planning Board to issue an approval and has appealed that decision to the Zoning Board of Appeals. A hearing was scheduled before the ZBA in June 2004. The parties have agreed to postpone the ZBA hearing indefinitely. Since we are not able to increase our vent heights, there is no assurance that our state-approved odor control system will operate optimally to control odors, or if it does not, that our operations would not be significantly curtailed, which could have a material adverse effect on our business, financial condition and results of operations.

Based on the results of the testing that we performed to evaluate the effectiveness of Maine Energy's odor control system, the City of Biddeford alleged to DEP in October 2002 that emissions of volatile organic compounds ("VOCs") from the odor control system exceeded DEP air license limits. In cooperation with DEP, Maine Energy agreed to voluntarily perform several rounds of testing to quantify and speciate emissions of VOCs from the scrubber stacks, using appropriate analytical methods. As a result, we may be subject to enforcement action by DEP and we may incur additional material costs to comply with applicable control technology requirements. On December 3, 2003, the City of Biddeford sued Maine Energy in federal court under federal and state law alleging that we are emitting VOCs without appropriate permits or appropriate control technology and that we constitute a public nuisance. The complaint sought an unspecified amount of civil penalties, damages, injunctive relief and attorney's fees. On June 2, 2004, the complaint was dismissed without prejudice while settlement negotiations take place. On or about May 25, 2004 Maine Energy received a revised 60-day Notice of Intent to Sue Under the Clean Air Act from the Cities of Biddeford and Saco. The Cities' Notice states that they intend to refile suit under the Clean Air Act, based on the alleged violations identified by their Notice, in the event that the ongoing settlement negotiations do not resolve the claims.

In addition, on October 16, 2002, the City of Biddeford and Joseph Stephenson (as the Code Enforcement Officer for the City of Biddeford) filed a Land Use Citation and Complaint against Maine Energy alleging that Maine Energy is emitting levels of volatile organic compounds which exceed permitted levels. The complaint sought an unspecified amount of civil penalties, a preliminary and permanent injunction, and legal costs. On December 3, 2002, the court ruled that the complaint failed to meet certain pleading requirements and ordered plaintiffs to file a new complaint by December 30, 2002. On April 7, 2003, the plaintiffs dismissed their action with prejudice.

In April 2003, the Company obtained a permit from the MADEP to increase the operating capacity of the Company's solid waste transfer station located in Holliston, Massachusetts. The Company is seeking the necessary local approvals required under that permit. Some local residents have alleged that the transfer station is not being operated in conformance with state and local wetlands laws and certain local approvals, first issued in the 1970s. The Company has taken steps to identify, respond to and address those allegations, as appropriate. The Company also is evaluating its indemnification rights against the former owner/operator of the transfer station under the agreement by which the Company acquired the transfer station. We offer no prediction as to the likely outcome of these matters, and there can be no assurance that these matters would not have a material adverse effect on our financial position or results of operations.

On March 2, 2005, our subsidiary Casella Waste Management of Pennsylvania, Inc. ("CWMPA") was issued an Administrative Order by the Pennsylvania Department of Environmental Protection ("DEP") revoking CWMPA's transfer station permit for its 75-ton-per-day transfer station located in Wellsboro, Pennsylvania and ordering that the site be closed. The DEP based its decision on certain alleged violations related to recordkeeping and site management over a five year period. On March 10, 2005, CWMPA appealed the Order to the State's Environmental Hearing Board ("EHB"). The Pennsylvania Attorney General's Office is also conducting a criminal investigation of the allegations. On March 17, 2005, CWMPA and the DEP mutually agreed to a Supersedeas Order approved by the EHB which superseded the March 2, 2005 DEP Order, stating that CWMPA agreed to (i) voluntarily cease operations at the transfer station until May 16, 2005; (ii) relocate its hauling company before May 16, 2005; and (iii) develop a Management and Operation Plan for the transfer station by May 16, 2005. On May 17, 2005, the EHB judge extended the Supersedeas Order until June 10, 2005 and authorized the transfer station to resume operations upon completion of the relocation of the hauling company and receipt of a permit modification related to the weighing of bag waste from individual customers. CWMPA satisfied the conditions and recommenced operations at the transfer station on May 20, 2005. On June 9, 2005, CWMPA and the DEP filed a stipulation with the EHB withdrawing and voiding the March 2, 2005 Order revoking the permit, while reserving the DEP's right to seek civil penalties and the Company's right to defend against any such penalties.

On March 10, 2005, the Zoning Enforcement Officer for the Town of Hardwick, Massachusetts rendered an opinion that more than half of the current Phase II footprint of the Company's Hardwick Landfill is on land that is not properly zoned. On April 7, 2005, the Company appealed the opinion to the Hardwick Zoning Board of Appeals. A decision is expected by mid-July 2005. The Company and the Town executed a Host Community Agreement on June 7, 2005, which provides the Town with certain immediate benefits and will provide certain deferred benefits upon receipt of approvals for the rezoning of the existing landfill area and an expansion area.

Executive Officers and Other Key Employees of the Company

Our executive officers and other key employees and their respective ages as of June 15, 2005 are as follows:

Name	Age	Position
Executive Officers		
John W. Casella	54	Chairman, Chief Executive Officer and Secretary
James W. Bohlig	58	President and Chief Operating Officer, Director
Richard A. Norris	61	Senior Vice President, Chief Financial Officer and Treasurer
Charles E. Leonard	50	Senior Vice President, Solid Waste Operations
Other Key Employees		
Michael J. Brennan	47	Vice President and General Counsel
Timothy A. Cretney	41	Regional Vice President
Christopher M. DesRoches	47	Vice President, Selection and Training
Sean P. Duffy	45	Regional Vice President
Joseph S. Fusco	41	Vice President, Communications
William Hanley	51	Vice President, Sales and Marketing
Brian G. Oliver	43	Regional Vice President
Alan N. Sabino	45	Regional Vice President
Gary R. Simmons	55	Vice President, Fleet Management
Michael J. Wall	45	Regional Vice President

John W. Casella has served as Chairman of our Board of Directors since July 2001 and as our Chief Executive Officer since 1993. Mr. Casella served as President from 1993 to July 2001 and as Chairman of the Board of Directors from 1993 to December 1999. In addition, Mr. Casella has been Chairman of the Board of Directors of Casella Waste Management, Inc. since 1977. Mr. Casella is also an executive officer and director of Casella Construction, Inc., a company owned by Mr. Casella and Douglas R. Casella. 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 Governors of Vermont and New Hampshire on solid waste issues. 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, a member of our Board of Directors.

James W. Bohlig has served as our President since July 2001 and as Chief Operating Officer since 1993. Mr. Bohlig also served as Senior Vice President from 1993 to July 2001. Mr. Bohlig has served as a member of our Board of Directors since 1993. From 1989 until he joined us, Mr. Bohlig was Executive Vice President and Chief Operating Officer of Russell Corporation, a general contractor and developer based in Rutland, Vermont. 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 Executive Program in Business Administration.

Richard A. Norris has served as our Senior Vice President, Chief Financial Officer and Treasurer since July 2001. He joined us in July 2000 as Vice President and Corporate Controller. From 1997 to July 2000, Mr. Norris served as Vice President and Chief Financial Officer for NexCycle, Inc., a processor of secondary materials. From 1986 to 1997, he served as Vice President of Finance, US Operations for Laidlaw Waste Systems, Inc. Mr. Norris is qualified as a Chartered Accountant in both Canada and the United Kingdom. Mr. Norris graduated from Leeds University with a Bachelor of Arts in German.

Charles E. Leonard has served as our Senior Vice President, Solid Waste Operations since July 2001. From December 1999 until he joined us, he acted as a consultant to several corporations, including Allied Waste Industries, Inc. From November 1997 to December 1999, he was Regional Vice President for Service Corporation International, a provider of death-care services. From September 1988 to January 1997, he served as Senior Vice President, US Operations for Laidlaw Waste Systems, Inc. From June 1978 to July 1988, Mr. Leonard was employed by Browning-Ferris Industries in various management positions. Mr. Leonard is a graduate of Memphis State University with a Bachelor of Arts in Marketing.

Michael J. Brennan has served as our Vice President and General Counsel since July 2000. From January 1996 to July 2000, he served in various capacities at Waste Management, Inc., including most recently, as Associate General Counsel.

Timothy A. Cretney has served as our Western Regional Vice President since May 2002. From January 1997 to May 2002 he served as Regional Controller for our Western region. From August 1995 to January 1997, Mr. Cretney was Treasurer and Vice President of Superior Disposal Services, Inc., a waste services company which we acquired in January 1997. From 1992 to 1995, he was General Manager of the Binghamton, New York office of Laidlaw Waste Systems, Inc. and from 1989 to 1992 he was Central New York Controller of Laidlaw Waste Systems. Mr. Cretney holds a B.A. in Accounting from State University of New York College at Brockport.

Christopher M. DesRoches has served as our Vice President, Selection and Training since June 1, 2005. From November 1996 to June 2005, Mr. DesRoches served as our Vice President, Sales and Marketing. From January 1989 to November 1996, he was a regional vice president of sales for Waste Management, Inc. Mr. DesRoches is a graduate of Arizona State University.

Sean P. Duffy has served as our FCR Regional Vice President since December 1999. Since December 1999, Mr. Duffy has also served as Vice President of FCR, Inc., which he co-founded in 1983 and which became a wholly-owned subsidiary of ours in December 1999. From May 1983 to December 1999, Mr. Duffy served in various capacities at FCR, including, most recently, as President. From May 1998 to May 2001, Mr. Duffy also served as President of FCR Plastics, Inc., a subsidiary of FCR, Inc.

Joseph S. Fusco has served as our Vice President, Communications 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.

William Hanley has served as our Vice-President, Sales and Marketing since June 1, 2005. From 2001 until 2005, Mr. Hanley served as Vice-President, General Sales Manager of Waste Industries, USA. From 1994-2001, he held various sales management positions for Waste Management, Inc and predecessor companies. Mr. Hanley is a graduate of Clarion State University with a Bachelor of Science in Business Administration.

Larry B. Lackey has served as our Vice President, Permits, Compliance and Engineering since 1995. From 1993 to 1995, Mr. Lackey served as our Manager of Permits, Compliance and Engineering. 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.

Brian G. Oliver has served as our North Eastern Regional Vice President since June 2004. From April 1998 to June 2004 he served as our Eastern Regional Controller. From June 1996 to April 1998, Mr. Oliver served as Division Controller of two Vermont operations. Mr. Oliver holds a Bachelor of Science in Business Administration from Bryant College and also holds a Masters degree from St. Michael's College.

Alan N. Sabino has served as our Central Regional Vice President since July 1996. From 1995 to July 1996, Mr. Sabino served as a Division President for Waste Management, Inc. From 1985 to 1994, he served as Region Operations Manager for Chambers Development Company, Inc., a waste management company. Mr. Sabino is a graduate of Pennsylvania State University.

Gary R. Simmons has served as our Vice President, Fleet Management since May 1997. From December 1996 to May 1997, Mr. Simmons was the owner of GRS Consulting, a waste industry consulting firm. From 1995 to December 1996, 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. Wall has served as our South Eastern Regional Vice President since June 2004. From 2002-2004, Mr. Wall served as Director of Operations for Waste Management, Inc. in Massachusetts. From 1998-2002, Mr. Wall served as a Division Manager for Waste Management, Inc. overseeing operations in Central New York and Eastern Massachusetts. From 1993-1998, Mr. Wall held the position of Group Sales Manager for USA Waste Services, Inc. From 1983-1993,

Mr. Wall held various sales management positions throughout the Northeast for Browning Ferris Industries. Mr. Wall is a graduate of New England College of New Hampshire.

Available Information

Our Internet website is http://www.casella.com. We make available, through our website free of charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We make these reports available through our website at the same time that they become available on the Securities and Exchange Commission's website.

ITEM 2. PROPERTIES

At June 15, 2005, we owned and/or operated eight subtitle D landfills, two landfills permitted to accept construction and demolition materials, 34 transfer stations, 24 of which are owned, five of which are leased and five of which are under operating contract, 37 solid waste collection facilities, 25 of which are owned and 12 of which are leased, 38 recyclable processing facilities, 16 of which are owned, 14 of which are leased and eight of which are under operating contracts, one waste-to-energy facility, and utilized ten corporate office and other administrative facilities, four of which are owned and six of which are leased.

ITEM 3. LEGAL PROCEEDINGS

During the period of November 21, 1996 to October 9, 1997, we performed certain closure activities and installed a cut-off wall at the Clinton County landfill, located in Clinton County, New York. In April 1999, the New York State Department of Labor ("DOL") alleged that we should have paid prevailing wages in connection with the labor associated with such activities. We have disputed the allegations and a hearing on the liability issue was held on September 16, 2002. In November 2002, both sides submitted proposed findings of fact and conclusions of law. On May 12, 2004, the Commissioner of Labor issued an order finding that the closure activities and the cut-off wall project were "public works" projects that were subject to prevailing wage requirements. On June 10, 2004 we filed a judicial challenge to the Commissioner's decision, which was stayed for a nine-month period. On April 15, 2005, we reached a settlement with the DOL whereby we agreed to pay back wages in the amount of $0.5 million, interest in the amount of $0.2 million, and a civil penalty in the amount of $0.03 million. We also withdrew our appeal of the Commissioner's findings.

The New Hampshire Superior Court in Grafton, NH ruled on February 1, 1999 that the Town of Bethlehem, NH could not enforce an ordinance purportedly prohibiting expansion of the our NCES landfill, at least with respect to 51 acres of NCES's 87 acre parcel, based upon certain existing land-use approvals. As a result, NCES was able to construct and operate "Stage II, Phase II" of the landfill. In May 2001, the Supreme Court denied the Town's appeal. Notwithstanding the Supreme Court's 2001 ruling, the Town continued to assert jurisdiction to conduct unqualified site plan review with respect to Stage III and has further stated that the Town's height ordinance and building permit process may apply to Stage III. On September 12, 2001, we filed a petition for, among other things, declaratory relief. On December 4, 2001, the Town filed an answer to our petition asserting counterclaims seeking, among other things, authorization to assert site plan review over Stage III, which commenced operation in December 2000, as well as the methane gas utilization/leachate handling facility operating in Stage III, and also an order declaring that an ordinance prohibiting landfills applies to Stage IV expansion. The trial related to the Town's jurisdiction was held in December 2002 and on April 24, 2003, the Grafton Superior Court upheld the Town's 1992 ordinance preventing the location or expansion of any landfill, ruling that the ordinance may be applied to any part of Stage IV that goes beyond the 51 acres; ruling that the Town's height ordinance is valid within the 51 acres; upholding the Town's right to require Site Plan Review, except that there are certain areas within the Town's Site Plan Review regulation that are preempted; and ruling that the methane gas utilization/leachate handling facility is not subject to the Town's ordinance forbidding incinerators. On May 27, 2003, NCES appealed the Court ruling to the New Hampshire Supreme Court. On March 1, 2004, the Supreme Court issued an opinion affirming that NCES has all of the local approvals that it needs to operate within the 51 acres. If successful in obtaining state permits for development and operation within the 51 acres, NCES expects to be able to provide from three to five years of disposal capacity. The Supreme Court's opinion left open for further review the question of whether the Town's 1992 ordinance can prevent expansion of the facility outside the 51 acres, remanding to the Superior Court two legal claims raised by NCES as grounds for invalidating the 1992 ordinance. An interlocutory appeal to the Supreme Court by NCES regarding a Superior Court judge's denial of a motion to recuse herself was denied on November 18, 2004. The parties have filed numerous motions for summary judgment before the trial court. On April 19, 2005, the Superior Court judge granted NCES' partial motion for summary judgment, ruling that the

1992 ordinance is invalid because it distinguishes between "users" of land rather than "uses" of land, and that the state statute preempts the Town's ability to issue a building permit for the methane gas utilization/leachate handling facility to the extent the Town's regulations relate to design, installation, construction, modification or operation. A remand trial will be scheduled for the remaining issues not resolved by summary judgment (whether the Town can impose site plan review requirements outside the 51 acres, and whether the 1992 ordinance contravenes the general welfare of the community).

On or about November 7, 2001, our subsidiary New England Waste Services of ME, Inc. was served with a complaint filed in Massachusetts Superior Court on behalf of Daniel J. Quirk, Inc. and 14 citizens against The Massachusetts Department of Environmental Protection ("MADEP"), Quarry Hill Associates, Inc. and New England Waste Services of ME, Inc. dba New England Organics, et al. The complaint seeks injunctive relief related to the use of MADEP-approved wastewater treatment sludge in place of naturally occurring topsoil as final landfill cover material at the site of the Quarry Hills Recreation Complex Project in Quincy, Massachusetts (the "Project"), including removal of the material, or placement of an additional "clean" cover. On February 21, 2002, the MADEP filed a motion for stay pending a litigation control schedule. Plaintiffs have filed a cross-motion to consolidate the case with 11 other cases they filed related to the Project. Additionally, we have cross-claimed against other named defendants seeking indemnification and contribution. In September 2002, the court granted a stay of all proceedings pending the filing of summary judgment motions by all defendants on the issue of whether the plaintiffs are barred from suing the defendants as a result of a covenant not to sue that was signed by plaintiffs in 1998. On December 17, 2002, the court granted certain summary judgment motions filed by the defendants, the effect of which was the dismissal of all claims against all defendants in all cases where New England Waste Services of ME, Inc. was a defendant. On or about February 12, 2003, plaintiffs filed an appeal. On September 24, 2004, the Massachusetts State Appeals court reversed the Superior Court and reinstated the dismissed cases. On May 20, 2005, plaintiff proposed to dismiss without prejudice the two actions in which New England Waste Services of ME, Inc. is a defendant. We believe that we have meritorious defenses to these claims.

On January 10, 2002, the City of Biddeford, Maine filed a lawsuit in York County Superior Court in Maine alleging breach of the waste handling agreement among the Biddeford-Saco Waste Handling Committee, the cities of Biddeford and Saco, Maine and our subsidiary Maine Energy for (1) failure to pay the residual cancellation payments in connection with our merger with KTI and (2) processing amounts of waste above contractual limits without notice to the City. On May 3, 2002, the City of Saco filed a lawsuit in York County Superior Court against us, Maine Energy and other subsidiaries. The complaint in that action, which was amended by the City of Saco on July 22, 2002, alleges breaches of the 1991 waste handling agreement for failure to pay the residual cancellation payment, which Saco alleges is due as a result of, among other things, (1) our merger with KTI and (2) Maine Energy's failure to pay off certain limited partner loans in accordance with the terms of the agreement. The complaint also seeks damages for breach of contract and a court order requiring us to provide an accounting of all transactions since May 3, 1996 involving transfers of assets to or for the benefit of the equity owners of Maine Energy. On June 6, 2002, the additional 13 municipalities that were parties to the 1991 waste handling agreements filed a lawsuit in York County Superior Court against Maine Energy alleging breaches of the 1991 waste handling agreements for failure to pay the residual cancellation payment which they allege is due as a result of (1) our merger with KTI; and (2) failure to pay off the limited partner loans when funds were allegedly available. On July 25, 2002, the three actions were consolidated for purposes of discovery, case management and pretrial proceedings. On December 23, 2003, the action brought by the Tri-County Towns against Maine Energy was stayed pursuant to a court order as a result of a conditional settlement reached by the parties. The settlement became final, and, on or about July 8, 2004, the Tri-County Towns' action was dismissed with prejudice pursuant to stipulation by the parties. We are currently engaged in settlement negotiations with the Cities of Biddeford and Saco concerning the claims asserted in these actions and other matters, however, at this stage it is impossible to predict whether a settlement will be reached. We have vigorously contested the claims asserted by the cities. We believe that we have meritorious defenses to these claims.

On or about September 17, 2003, we were served with a complaint filed in the Superior Court of Delaware. The complaint alleges that Manner Resins, Inc., our wholly-owned subsidiary, was a party to a lease agreement where it was a tenant and the plaintiff was the landlord. The complaint further alleges that KTI, Inc., our wholly-owned subsidiary, guaranteed the tenant's obligations under the lease. The landlord alleges that the tenant is in default of the lease in that it constructed improvements without consent, damaged certain structures and failed to make certain payments. Plaintiff's demand for damages is $0.9 million. We filed a summary judgment motion to dismiss Manner Resins, Inc. in that it was incorrectly named as a party since the tenant is a company now known as First State Recycling, Inc. ("First State"), which we sold on August 11, 2000. On June 3, 2005, the Court granted our motion for summary judgment effectively dismissing Manner Resins, Inc. While KTI, Inc. remains in the litigation, the buyer of First State has agreed to indemnify and defend us from any liability that KTI, Inc. might have in the litigation. We believe that we have meritorious defenses to these claims.

On or about December 3, 2003, Maine Energy was served with a complaint filed in the United States District Court for the District of Maine. The complaint was a citizen suit under the federal Clean Air Act ("CAA") and similar state law alleging (1) emissions of volatile organic compounds ("VOCs") in violation of its federal operating permit; (2) failure to accurately identify emissions; and (3) failure to control VOC emissions through implementation of reasonably available control technology. In addition, the complaint alleged that Maine Energy was negligent and that the subject emissions cause odors and constitute a public nuisance. The allegations related to Maine Energy's waste-to-energy facility located in Biddeford, Maine and its construction, installation and operation of a new odor control system which redirects air from tipping and processing buildings to a boiler building for treatment by three air vents. The complaint sought an unspecified amount of civil penalties, damages, injunctive relief and attorney's fees. The court allowed the City's requests to amend its complaint to assert (1) an additional CAA claim that Maine Energy filed with the Maine DEP a compliance certification for calendar year 2002 which failed to disclose required information concerning VOC emissions, and (2) an additional claim that the installation of the odor control system constituted a major modification under the Maine DEP air rules, which required Maine Energy to obtain emission offsets and to apply the most stringent level of emission control known as the Lowest Available Emission Rate or LAER. This latter amendment sought additional relief in the form of an order requiring that Maine Energy obtain emission offsets and apply LAER to emissions from its tipping and processing operations. On June 2, 2004, the City of Biddeford dismissed the subject complaint without prejudice while settlement negotiations take place. On or about May 25, 2004, Maine Energy received a revised 60-Day Notice of Intent to Sue Under the CAA from the Cities of Biddeford and Saco. The Notice states that the Cities intend to refile suit under the CAA in the event that the ongoing settlement negotiations do not resolve the claims. On or about July 22, 2004 and March 28, 2005, Maine Energy received from the United States Environmental Protection Agency ("EPA") a request for information pursuant to section 114(a)(1) of the CAA, which states that the EPA is evaluating whether the Maine Energy facility is in compliance with the CAA, CAA regulations, and licenses issued under the CAA. Maine Energy intends to fully cooperate with the EPA in connection with these requests for information pertaining to VOC emissions issues.

On March 2, 2005, our subsidiary Casella Waste Management of Pennsylvania, Inc. ("CWMPA") was issued an Administrative Order by the Pennsylvania Department of Environmental Protection ("DEP") revoking CWMPA's transfer station permit for its 75-ton-per-day transfer station located in Wellsboro, Pennsylvania and ordering that the site be closed. The DEP based its decision on certain alleged violations related to recordkeeping and site management over a five-year period. On March 10, 2005, CWMPA appealed the Order to the State's Environmental Hearing Board ("EHB"). The Pennsylvania Attorney General's Office is also conducting a criminal investigation of the allegations. On March 17, 2005, CWMPA and the DEP mutually agreed to a Supersedeas Order approved by the EHB which superseded the March 2, 2005 DEP Order, stating that CWMPA agreed to (i) voluntarily cease operations at the transfer station until May 16, 2005; (ii) relocate its hauling company before May 16, 2005; and (iii) develop a Management and Operation Plan for the transfer station by May 16, 2005. On May 17, 2005, the EHB judge extended the Supersedeas Order until June 10, 2005 and authorized the transfer station to resume operations upon completion of the relocation of the hauling company and receipt of a permit modification related to the weighing of bag waste from individual customers. CWMPA satisfied the conditions and recommenced operations at the transfer station on May 20, 2005. On June 9, 2005, CWMPA and the DEP filed a stipulation with the EHB withdrawing and voiding the March 2, 2005 Order revoking the permit, while reserving the DEP's right to seek civil penalties and the Company's right to defend against any such penalties.

On March 10, 2005, the Zoning Enforcement Officer for the Town of Hardwick, Massachusetts rendered an opinion that more than half of the current Phase II footprint of the Company's Hardwick Landfill is on land that is not properly zoned. On April 7, 2005, the Company appealed the opinion to the Hardwick Zoning Board of Appeals. A decision is expected by mid-July 2005. The Company and the Town executed a Host Community Agreement on June 7, 2005, which provides the Town with certain immediate benefits and will provide certain deferred benefits upon receipt of approvals for the rezoning of the existing landfill area and an expansion area.

On March 14, 2005, we and our subsidiary New England Waste Services of ME, Inc. ("NEWSME") were served with a complaint filed by the Environmental Exchange in the State of Maine Superior Court alleging restraint of trade, and conspiracy to monopolize trade. The plaintiff claims that our ownership of NEWSME, which in turn owns the New England Organics line of business and the Pine Tree Landfill, allegedly enabled NEWSME to obtain favorable tipping fees at Pine Tree Landfill thereby excluding the plaintiff from competitively bidding on a contract with Indeck Maine Energy LLC to haul and dispose of fly ash. Plaintiff alleges that we and NEWSME lessened competition and monopolized trade. On April 4, 2005, we and NEWSME filed a motion to dismiss. We believe that we have meritorious defenses to these claims.

On May 25, 2005, we were served with an antitrust summons by the Office of the Attorney General of the State of Maine pursuant to their investigation of whether we and the City of Lewiston have entered into an agreement to operate a

municipal landfill in restraint of trade or commerce and whether such an agreement would constitute an acquisition of assets that may substantially lessen competition or tend to create a monopoly. The summons seeks the production of documents related to our operations in the State of Maine. We believe that we have meritorious defenses to any such claims.

We offer no prediction of the outcome of any of the proceedings described above. We are vigorously defending each of these lawsuits. However, there can be no guarantee we will prevail or that any judgments against us, if sustained on appeal, will not have a material adverse effect on our business, financial condition or results of operations.

We are a defendant in certain other lawsuits alleging various claims incurred in the ordinary course of business, none of which, either individually or in the aggregate, we believe are material to our business, financial condition, results of operations or cash flows.

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

There were no matters submitted to a vote of the security holders during the fiscal quarter ended April 30, 2005.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A common stock trades on the Nasdaq National Market under the symbol "CWST". The following table sets forth the high and low sale prices of our Class A common stock for the periods indicated as quoted on the Nasdaq National Market.

Period	High	Low
Fiscal Year Ending April 30, 2004		
First quarter	$ 12.45	$ 7.80
Second quarter	$ 14.42	$ 10.68
Third quarter	$ 15.00	$ 11.90
Fourth quarter	$ 15.70	$ 12.52
Fiscal Year Ending April 30, 2005		
First quarter	$ 15.50	$ 11.90
Second quarter	$ 12.65	$ 10.80
Third quarter	$ 15.27	$ 11.97
Fourth quarter	$ 15.30	$ 11.47

On June 15, 2005, the high and low sale prices per share of our Class A common stock as quoted on the Nasdaq National Market were $11.92 and $11.50, respectively. As of June 15, 2005 there were approximately 519 holders of record of our Class A common stock and two holders of record of our Class B common stock. There is no established trading market for our Class B common stock.

For purposes of calculating the aggregate market value of the shares of common stock held by non-affiliates, as shown on the cover page of this Annual Report on Form 10-K, it has been assumed that all the outstanding shares of Class A common stock were held by non-affiliates except for the shares beneficially held by directors and executive officers and funds represented by them.

No dividends have ever been declared or paid on our common stock and we do not anticipate paying any cash dividends on its common stock in the foreseeable future. Our credit facility restricts the payment of dividends on common stock.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following selected consolidated financial and operating data set forth below with respect to our consolidated statements of operations and cash flows for the fiscal years ended April 30, 2003, 2004 and 2005, and the consolidated balance sheets as of April 30, 2004 and 2005 are derived from the Consolidated Financial Statements included elsewhere in this Form 10-K. The consolidated statements of operations and cash flows data for the fiscal years ended April 30, 2001 and 2002, and the consolidated balance sheet data as of April 30, 2001, 2002 and 2003 are derived from the previously filed Consolidated Financial Statements. The data set forth below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and Notes thereto included elsewhere in this Form 10-K.

	Fiscal Year Ended April 30, (in thousands, except per share data)				
	2001 (1) (4)	2002(1) (4)	2003 (1) (4)	2004 (1) (4)	2005
Statement of Operations Data:					
Revenues	$ 479,026	$ 420,067	$ 419,518	$ 437,961	$ 481,964
Cost of operations	320,521	275,961	277,579	285,828	310,921
General and administration	63,848	54,167	55,432	58,167	63,678
Depreciation and amortization	53,352	50,621	47,879	59,596	65,637
Impairment charge	79,687	—	4,864	1,663	—
Restructuring charge	4,151	(438)	—	—	—
Legal settlements	4,209	—	—	—	—
Other miscellanseous charges	1,604	—	—	—	—
Deferred costs	—	—	—	—	295
Operating income (loss)	(48,346)	39,756	33,764	32,707	41,433
Interest expense, net	38,423	30,355	26,036	25,249	29,391
Other (income)/expense, net	27,358	(6,535)	(175)	3,688	(894)
Income (loss) from continuing operations before income taxes, discontinued operations and cumulative effect of change in accounting principle	(114,127)	15,936	7,903	3,770	12,936
Provision (benefit) for income taxes	(20,511)	5,140	3,825	(1,622)	5,725
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	(93,616)	10,796	4,078	5,392	7,211
Income (loss) from discontinued operations, net	(4,072)	(109)	(20)	(10)	140
Estimated loss on disposal of discontinued operations, net	(2,657)	(4,096)	—	—	(82)
Reclassification from discontinued operations, net	(1,190)	1,140	50	—	—
Cumulative effect of change in accounting principle, net	—	(250)	(63,916)	2,723	—
Net income (loss)	$ (101,535)	$ 7,481	$ (59,808)	$ 8,105	$ 7,269
Preferred stock dividend	1,970	3,010	3,094	3,252	3,338
Net income (loss) available to common stockholders	$ (103,505)	$ 4,471	$ (62,902)	$ 4,853	$ 3,931
Basic net (loss) income per common share	$ (4.46)	$ 0.19	$ (2.65)	$ 0.20	$ 0.16
Basic weighted average common shares outstanding (2)	23,189	23,496	23,716	24,002	24,679
Diluted net (loss) income per common share	$ (4.46)	$ 0.19	$ (2.63)	$ 0.20	$ 0.16
Diluted weighted average common shares outstanding (2)	23,189	24,169	23,904	24,445	25,193

	Fiscal Year Ended April 30, (in thousands)				
	2001 (1) (4)	2002(1) (4)	2003 (1) (4)	2004 (1) (4)	2005
Other Operating Data:					
Capital expenditures	$ (61,518)	$ (37,674)	$ (41,925)	$ (58,335)	$ (80,064)
Other Data:					
Cash flows provided by operating activities	$ 63,261	$ 67,687	$ 66,952	$ 69,898	$ 83,034
Cash flows used in investing activities	$ (55,565)	$ (9,533)	$ (63,208)	$ (123,658)	$ (103,755)
Cash flows provided by (used in) financing activities	$ 18,765	$ (70,065)	$ 7,610	$ 46,115	$ 21,292
Balance Sheet Data:					
Cash and cash equivalents	$ 22,001	$ 4,298	$ 15,652	$ 8,007	$ 8,578
Working capital (deficit), net (3)	$ 25,168	$ (11,795)	$ (11,591)	$ (25,875)	$ (31,949)
Property, plant and equipment, net	$ 290,537	$ 287,206	$ 302,328	$ 372,038	$ 412,753
Goodwill	$ 225,969	$ 219,730	$ 159,682	$ 157,230	$ 157,492
Total assets	$ 686,293	$ 621,611	$ 602,641	$ 676,277	$ 712,454
Long-term debt, less current maturities	$ 350,511	$ 277,545	$ 302,389	$ 349,163	$ 378,436
Redeemable preferred stock	$ 57,720	$ 60,730	$ 63,824	$ 67,076	$ 67,964
Total stockholders' equity	$ 172,951	$ 176,796	$ 119,152	$ 130,055	$ 138,782

(1) We have revised our consolidated statements of operations to reflect the discontinuation of operations during fiscal years ended April 30, 2001 through 2005. We have also revised our consolidated statements of cash flows and consolidated balance sheets to reflect the discontinuation of certain operations during fiscal year 2000. In the fourth quarter of fiscal 2003, we entered into negotiations with former employees for the transfer of our domestic brokerage operations and a commercial recycling business and in June 2003, we completed the transaction. The commercial recycling business had been accounted for as a discontinued operation since fiscal year 2001. Due to the nature of the transaction, we could not retain discontinued accounting treatment for this operation. Therefore the commercial recycling operating results have been reclassified from discontinued to continuing operations for fiscal years ended April 30, 2001, 2002 and 2003. In connection with the discontinued accounting treatment in fiscal year 2001, estimated future losses from the operations were recorded and classified as losses from discontinued operations. This amount has been reclassified and offset against actual loss from operations in fiscal years ended April 30, 2001, 2002 and 2003.

We divested the assets of Data Destruction Services, Inc. ("Data Destruction") during the quarter ended October 31, 2004. The transaction required discontinued operations treatment under SFAS No. 144; therefore the operating results of Data Destruction have been reclassified from continuing to discontinued operations in fiscal years ended April 30, 2000, 2001, 2002, 2003 and 2004. See Note 17 of the Notes to Consolidated Financial Statements.

(2) Computed on the basis described in Note 1(n) of Notes to Consolidated Financial Statements.

(3) Working capital, net is defined as current assets, excluding cash and cash equivalents, minus current liabilities.

(4) Certain reclassifications have been made to the prior period financial statements to conform to the fiscal year 2005 presentation.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and Notes thereto, and other financial information, included elsewhere in this Form10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties. Our actual results may differ materially from those contained in any forward-looking statements.

Casella Waste Systems, Inc., together with its subsidiaries, is a vertically integrated regional solid waste services company that provides collection, transfer, disposal and recycling services to residential, industrial and commercial customers, primarily throughout the eastern region of the United States. As of June 15, 2005, we owned and/or operated eight Subtitle D landfills, two landfills permitted to accept construction and demolition materials, 37 solid waste collection operations, 34 transfer stations, 38 recycling facilities and one waste-to-energy facility, as well as a 50% interest in a joint venture that manufactures, markets and sells cellulose insulation made from recycled fiber.

In December 1999, we acquired KTI, an integrated provider of waste processing services, for aggregate consideration of $340.0 million. KTI represented a unique opportunity to acquire disposal capacity and collection operations in our primary market area and in contiguous markets in eastern Massachusetts, as well as other businesses which fit within our operating strategy. Following our acquisition of KTI in December 1999 through 2002, we focused on the integration of KTI and the divestiture of non-core KTI assets.

From 2003 to date, we have focused on building our disposal capacity within our footprint, using our partnership model. We believe we have been successful, since we have added Hardwick and Southbridge in Massachusetts, Ontario in upper New York State and West Old Town in Maine, as well as expanded our annual permit limits and overall capacity at our other sites that we own or operate. In fiscal year 2004 we were successful in securing an increase of our permitted volume capacity from 417 to 1,000 tons per day at our Hakes landfill facility. At our Waste USA landfill facility, the annual permitted volume was amended in fiscal year 2005 to allow 370,000 tons per year, an increase of 130,000 tons from previously approved levels. In fiscal year 2005, our Hyland landfill facility received a necessary local approval for the future expansion of an additional 38 acres, representing approximately 5.7 million tons of additional capacity (subject to receipt of permits). The annual tons disposed in our landfills have increased from 1.4 million tons at the beginning of fiscal year 2003 to 2.5 million tons at the end of fiscal year 2005, and total permitted and permittable capacity has increased from 26.1 tons to 81.7 million tons at over the same time frame. We have also closed on 22 tuck-in acquisitions during that time, but these have been largely opportunistic. From May 1, 1994 through April 30, 2005, we have acquired 212 solid waste collection, transfer, recycling and disposal operations.

This objective of building disposal capacity is to increase our vertical integration within our footprint to optimize our control of the waste stream from collection through disposal thereby providing an economic benefit. Internalization of waste refers to the amount of waste that our collection companies collect that is ultimately disposed of in one of our disposal facilities. As a result of our success in building disposal capacity our internalization increased to 56.8% in fiscal year 2005 from 53.2% in fiscal year 2004.

Our revenues increased from $438.0 million for the fiscal year ended April 30, 2004 to $482.0 million for the fiscal year ended April 30, 2005. From May 1, 2002 through April 30, 2005, we acquired 29 solid waste collection, transfer, disposal and recycling operations. Under the rules of purchase accounting, the acquired companies' revenues and results of operations have been included from the date of acquisition and affect the period-to-period comparisons of our historical results of operations. Effective September 30, 2002, we transferred our export brokerage operations to former employees who had been responsible for managing that business. The domestic brokerage operations, and a recycling business, constituting the remainder of our brokerage revenues, were transferred effective June 30, 2003 to the employees of that unit. Due to the structure of these transactions, the transfers were not initially recorded as a sale. Effective April 1, 2004, we completed the sale of the export brokerage operations for total consideration of approximately $5.0 million. The gain on the sale amounted to approximately $1.1 million. For the fiscal years ended April 30, 2004 and 2003, the transferred brokerage and recycling businesses accounted for $3.3 million and $35.7 million, respectively, of our revenues.

During the second quarter of fiscal 2005, we completed the sale of the assets of Data Destruction Services, Inc. (Data Destruction) for cash sale proceeds of $3.0 million. This shredding operation had been historically accounted for as a component of continuing operations up until its sale. The transaction required discontinued operations treatment under

SFAS No. 144, therefore the operating results of Data Destruction have been reclassified from continuing to discontinued operations in fiscal 2003, 2004 and 2005. Also in connection with the discontinued accounting treatment, the loss (net of tax) from the sale amounting to $0.1 million has been recorded and classified as a loss on disposal of discontinued operations.

Critical Accounting Policies and Estimates

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. The results of their evaluation form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions and circumstances. Our significant accounting policies are more fully discussed in the Notes to our Consolidated Financial Statements contained elsewhere in this Form 10-K.

Landfill Accounting — Capitalized Costs and Amortization

We use life-cycle accounting and the units-of-consumption method to recognize certain landfill costs. 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. Landfill preparation costs include the costs of construction associated with excavation, liners, site berms and the installation of leak detection and leachate collection systems. Interest is capitalized on landfill construction projects 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. Interest capitalized for the years ended April 30, 2003, 2004 and 2005 was $719, $356 and $492, respectively. Management routinely reviews its investment in operating landfills, transfer stations and other significant facilities to determine whether the costs of these investments are realizable. Our judgments regarding the existence of impairment indicators are based on regulatory factors, market conditions and the operational performance of our landfills. Future events could cause us to conclude that impairment indicators exist and that our landfill carrying costs are impaired. Any resulting impairment charge could have a material adverse effect on our financial condition and results of operations.

Under life-cycle accounting, all costs related to acquisition and construction of landfill sites are capitalized and charged to income based on tonnage placed into each site. Landfill permitting, acquisition and preparation costs are amortized on the units-of-consumption method as landfill airspace is consumed. In determining the amortization rate for these landfills, preparation costs include the total estimated costs to complete construction of the landfills' permitted and permittable capacity. In determining estimated future landfill permitting, acquisition, construction and preparation costs, we consider the landfill costs associated with permitted and permittable airspace. To be considered permittable, airspace must meet all of the following criteria:

- we control the land on which the expansion is sought;
- all technical siting criteria have been met or a variance has been obtained or is reasonably expected to be obtained;
- we have not identified any legal or political impediments which we believe will not be resolved in our favor;
- we are actively working on obtaining any necessary permits and we expect that all required permits will be received within the next two to five years; and
- senior management has approved the project.

Units-of-consumption amortization rates are determined annually for each of our operating landfills. The rates are based on estimates provided by our engineers and accounting personnel and consider the information provided by airspace surveys, which are performed at least annually. Significant changes in our estimates could materially increase our landfill depletion rates, which could have a material adverse effect on our financial condition and results of operations. Our estimate of future landfill permitting, acquisition, construction and preparation costs as of April 30, 2005 increased to $363.3 million, compared to $299.6 million as of April 30, 2004 and $149.1 million as of April 30, 2003. The increase in estimated costs in fiscal 2005 is primarily as a result of additional permitted and permittable airspace from our newly acquired landfill and landfill operating contracts, which increased airspace to 81.7 million tons as of April 30, 2005 as compared to 65.6 million

tons as of April 30, 2004 and 29.6 million tons as of April 30, 2003. Landfill amortization expense for the years ended April 30, 2005, 2004 and 2003 was $27.6 million, $22.7 million and $13.3 million, respectively. The increase in fiscal year 2005, compared to fiscal year 2004, was primarily attributable to increased landfill volumes in part resulting from our new landfill operating contracts, which became active in the third and fourth quarter of fiscal year 2004. Higher landfill amortization expense in fiscal year 2004, compared to fiscal year 2003 was due to volume increases, the effect of newly acquired landfill operations, and as a result of adopting SFAS No. 143.

Landfill Accounting — Capping, Closure and Post-Closure Costs

Capping includes installation of liners, drainage, compacted soil layers and topsoil over areas of a landfill where total airspace has been consumed and waste is no longer being received. Capping activities occur throughout the life of the landfill. Our engineering personnel estimate the cost for each capping event based on the acreage to be capped and the capping materials and activities required. The estimates also consider when these costs would actually be paid and factor in inflation and discount rates. The engineers then quantify the landfill capacity associated with each capping event and the costs for each event are amortized over that capacity as waste is received at the landfill.

Closure and post-closure costs represent future estimated costs related to monitoring and maintenance of a solid waste landfill, after a landfill facility ceases to accept waste and closes. We estimate, based on input from our engineers, accounting personnel and consultants, our future cost requirements for closure and post-closure monitoring and maintenance based on our interpretation of the technical standards of the 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 post-closure accruals for the cost of monitoring and maintenance include site inspection, groundwater monitoring, leachate management, methane gas control and recovery, and operation and maintenance costs to be incurred for a period which is generally for a term of 30 years after final closure of a landfill. Significant reductions in our estimates of the remaining lives of our landfills or significant increases in our estimates of the landfill closure and post-closure maintenance costs could have a material adverse effect on our financial condition and results of operations. In determining estimated future closure and post-closure costs, we consider costs associated with permitted and permittable airspace.

Our estimates of costs to discharge capping, closure and post-closure asset retirement obligations for landfills are developed in today's dollars. These costs are then inflated to the period of performance using an estimate of inflation which is updated annually (2.6% was used in both fiscal year 2004 and 2005). Capping, closure and post-closure liabilities are discounted using the credit adjusted risk-free rate in effect at the time the obligation is incurred (7.6% to 9.5%). Accretion expense is necessary to increase the accrued capping, closure and post-closure liabilities to the future anticipated obligation. To accomplish this, we accrete our capping, closure and post-closure accrual balances using the same credit-adjusted, risk-free rate that was used to calculate the recorded liability. Accretion expense on recorded landfill liabilities is recorded to cost of operations from the time the liability is recognized until the costs are paid. Accretion expense amounted to $1.9 million and $2.2 million in fiscal years 2004 and 2005, respectively.

Our estimate of future capping, closure and post-closure costs was $157.6 million as of April 30, 2005, compared to $148.7 million as of April 30, 2004 and $82.4 million as of April 30, 2003. The increase in estimated costs in fiscal 2005 is primarily as a result of additional permitted and permittable airspace from our newly acquired landfill operating contracts, which also increased airspace to 81.7 million tons as of April 30, 2005 compared to 65.6 million tons as of April 30, 2004 and 29.6 million tons as of April 30, 2003.

We provide for the accrual and amortization of estimated future obligations for closure and post-closure based on tonnage placed into each site. With regards to capping, the liability is recognized and these costs are amortized based on the airspace related to the specific capping event.

Accrued capping, closure and post-closure costs include the current and non-current portion of costs associated with obligations for capping, closure and post-closure of our landfills. The changes to accrued capping, closure and post-closure liabilities are as follows (in thousands):

	Fiscal Year Ended April 30,		
	2003	2004	2005
Beginning balance, May 1	$ 24,772	$ 25,949	$ 25,223
Cumulative effect of change in accounting principle (1)	—	(7,855)	—
Capping, closure, and post-closure liability, adjusted	24,772	18,094	25,223
Obligations incurred	8,400	4,556	4,774
Revisions in estimates	—	(1,371)	(2,795)
Accretion expense	—	1,871	2,201
Payments (2)	(9,164)	(2,707)	(6,068)
Acquisitions and other adjustments (3)	1,941	4,780	3,293
Balance, April 30	$ 25,949	$ 25,223	$ 26,628

(1) Upon adoption of SFAS No. 143, on May 1, 2003, we recorded a cumulative effect of change in accounting principle of $2.7 million (net of taxes of $1.9 million). In addition we recorded a decrease in our capping, closure and post-closure obligations of $7.9 million, and a decrease in our net landfill assets of $3.2 million. For additional information and analyses of the impact that adopting SFAS No. 143 had on our balance sheet and our results of operations for the year ended April 30, 2004, see Note 3 to our Consolidated Financial Statements included in this Form 10-K.

(2) Spending levels were higher in fiscal year 2003 mainly due to closure activities at our Woburn, Massachusetts and Pine Tree, Maine landfills. Spending levels increased in fiscal year 2005 mainly due to closure activities at our Southbridge, Massachusetts landfill.

(3) In fiscal year 2003, we recorded closure and post-closure accruals relating to the Hardwick landfill acquisition. The increase in fiscal 2005 is as a result of capping, closure and post-closure accruals relating to the acquisition of the Southbridge, Massachusetts landfill operating contract.

We estimate our future capping, closure and post-closure costs in order to determine the capping, closure and post-closure expense per ton of waste placed into each landfill as further described in Note 1(l) to our consolidated financial statements. The anticipated timeframe for paying these costs varies based on the remaining useful life of each landfill, as well as the duration of the post-closure monitoring period. Based on our permitted and permittable airspace at April 30, 2005, we expect to make payments relative to capping, closure and post-closure activities from fiscal year 2006 through fiscal year 2093.

Asset Impairment

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we review our long-lived assets for impairment whenever events or changes in circumstances indicate that the remaining estimated useful life of such assets might warrant revision or that the balances may not be recoverable. We evaluate possible impairment by comparing estimated discounted future cash flows to determine with the net book value of long-term assets including amortizable intangible assets. If undiscounted cash flows are insufficient to recover assets, further analysis is performed in order to determine the amount of the impairment. An impairment loss is then recorded equal to the amount by which the carrying amount of the assets exceeds their fair value. Fair value is usually determined based on the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved.

Upon adoption of SFAS No. 142 we have eliminated the amortization of goodwill and annually assess goodwill impairment at each fiscal year end by applying a fair value based test. We evaluate goodwill for impairment based on fair value of each operating segment. We estimate fair value based on net future cash flows discounted using an estimated weighted average cost of capital. We recognize an impairment if the net book value exceeds the fair value of the discounted future cash flows.

Bad Debt Allowance

Estimates are used in determining our allowance for bad debts and are based on our historical collection experience, current trends, credit policy and a review of our accounts receivable by aging category. Our reserve is evaluated and revised on a monthly basis.

Self-Insurance Liabilities and Related Costs

We are self insured for vehicles and workers compensation. The liability for unpaid claims and associated expenses, including incurred but not reported losses, is determined by a third party actuary and reflected in our consolidated balance

sheet as an accrued liability. We use a third party to track and evaluate actual claims experience for consistency with the data used in the annual actuarial valuation. The actuarially determined liability is calculated in part by reference to past claims experience, which considers both the frequency and settlement amount of claims.

Income Tax Accruals

We record 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 currently enacted tax rates. Management judgment is required in determining our provision for income taxes and liabilities and any valuation allowance recorded against our net deferred tax assets. Valuation allowances have been established for the possibility that tax benefits may not be realized for certain deferred tax assets.

Forward Looking Statements

This Form 10-K and other reports, proxy statements, and other communications to stockholders, as well as oral statements by our officers or our agents, may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act, with respect to, among other things, our future revenues, operating income, or earnings per share. Without limiting the foregoing, any statements contained in this Form 10-K 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 important factors of which we are aware that may cause our actual results to vary materially from those forecasted or projected in any such forward-looking statement, certain of which are beyond our control. Our failure to successfully address any of these factors could have a material adverse effect on our results of operations.

General

Revenues

Our revenues in our North Eastern, South Eastern, Central and Western regions are attributable primarily to fees charged to customers for solid waste disposal and collection, landfill, waste-to-energy, transfer and recycling services. We derive a substantial portion of our collection revenues from commercial, industrial and municipal services that are generally performed under service agreements or pursuant to contracts with municipalities. The majority of our residential collection services are performed on a subscription basis with individual households. Landfill, waste-to-energy facility and transfer customers are charged a tipping fee on a per ton basis for disposing of their solid waste at our disposal facilities and transfer stations. The majority of our disposal and transfer customers are under one to ten year disposal contracts, with most having clauses for annual cost of living increases. Recycling revenues, which are included in FCR, Central and Western regions, consist of revenues from the sale of recyclable commodities and operations and maintenance contracts of recycling facilities for municipal customers. FCR revenues included revenues from commercial brokerage and recycling operations through June 30, 2003 and revenues from the export brokerage business through September 2002, when those operations were sold.

Our cellulose insulation business is conducted through a 50/50 joint venture with Louisiana-Pacific, and accordingly, we recognize half of the joint venture’s net income on the equity method in our results of operations. Also, in the “Other” segment, we have ancillary revenues including major customer accounts and earnings from equity method investees.

Our revenues are shown net of inter-company eliminations. We typically establish our inter-company transfer pricing based upon prevailing market rates. The table below shows, for the periods indicated, the percentage of our revenues attributable to services provided. For the fiscal years ended April 30, 2004 and 2003, the percentages of revenues shown below reflect revenues from the domestic brokerage and recycling operations through June 30, 2003 and revenues from the export brokerage business through September 2002. The export business was transferred to the employees of that unit in September 2002 and our domestic brokerage operations, constituting the remainder of our brokerage revenues, was transferred effective June 30, 2003 to the employees of that unit. Net of brokerage revenues, collection revenues as a percentage of total revenue in fiscal years ended April 30, 2005 and 2004 were lower compared to prior year respective periods, despite an increase in the absolute dollar amounts, mainly because of the large increase in recycling revenue dollars. Landfill/disposal revenues as a percentage of total revenues, net of brokerage revenues, increased in the fiscal years ended April 30, 2005 and 2004 compared to prior year respective periods due to the incremental volumes associated with recently acquired landfill facilities. Recycling revenues increased over the three year period as a percentage of total revenues

mainly due to higher commodity prices and volumes. The decrease in brokerage revenues as a percentage of revenues is due to the transfer of the export and domestic brokerage businesses to employees of those units.

	Fiscal Year Ended April 30,		
	2003 (1)	2004 (1)	2005
Collection	49.8%	51.8%	49.4%
Landfill/disposal facilities	14.3	15.9	16.6
Transfer	8.4	8.9	8.7
Recycling	18.7	22.7	25.3
Brokerage	8.8	0.7	0.0
Total revenues	100.0%	100.0%	100.0%

(1) We revised percentages of total revenues for fiscal years ended April 30, 2003 and 2004 to conform with our classification of revenues attributable to services provided in the fiscal year ended April 30, 2005.

Operating Expenses

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. Cost of operations also includes accretion expense related to landfill capping, closure and post closure, leachate treatment and disposal costs and depletion of landfill operating lease obligations.

General and administration expenses include management, clerical and administrative compensation and overhead, professional services and costs associated with marketing, sales force and community relations efforts.

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-consumption method, and the amortization of intangible assets (other than goodwill) using the straight-line method. In accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations,* except for accretion expense, we amortize landfill retirement assets through a charge to cost of operations using a straight-line rate per ton as landfill airspace is utilized. 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. We depreciate all fixed and intangible assets, other than goodwill, to a zero net book value, and do not apply a salvage value to any fixed assets.

We capitalize certain direct landfill development costs, such as engineering, permitting, legal, construction and other costs associated directly with the expansion of existing landfills. Additionally, we also capitalize certain third party expenditures related to pending acquisitions, such as legal and engineering costs. We routinely evaluate all such capitalized costs, and expense 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.

We will have material financial obligations relating to capping, closure and post-closure costs of our existing landfills and any disposal facilities which we may own or operate in the future. We have provided and will in the future provide accruals for these future financial obligations based on engineering estimates of consumption of permitted landfill airspace over the useful life of any such landfill. There can be no assurance that our financial obligations for capping, closure or post-closure costs will not exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds.

Results of Operations

The following table sets forth for the periods indicated the percentage relationship that certain items from our consolidated financial statements bear in relation to revenues.

	Fiscal Year Ended April 30,		
	2003	2004	2005
Revenues	100.0%	100.0%	100.0%
Cost of operations	66.1	65.3	64.5
General and administration	13.2	13.2	13.2
Depreciation and amortization	11.4	13.6	13.6
Impairment charge	1.2	0.4	—
Deferred costs	—	—	0.1
Operating income	8.1	7.5	8.6
Interest expense, net	6.2	5.8	6.1
Income from equity method investments	(0.5)	(0.5)	(0.6)
Loss on debt extinguishment	0.9	—	0.4
Other expense/(income), net and minority interest	(0.4)	1.4	0.1
Provision (benefit) for income taxes	0.9	(0.4)	1.1
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	1.0%	1.2%	1.5%

Fiscal Year 2005 versus Fiscal Year 2004

Revenues. Revenues increased $44.0 million, or 10.0%, to $482.0 million in fiscal year 2005 from $438.0 million in fiscal year 2004. Revenues from the rollover effect of acquired businesses accounted for $23.7 million of the increase, primarily due to new disposal facilities in the Western and South Eastern regions (the Ontario and Southbridge landfills), as well as a new recycling facility in the South Eastern region, all of which became active in the third and fourth quarters of fiscal 2004, partially offset by the loss of revenues from the divestiture of the domestic brokerage business amounting to $3.3 million. The revenue increase is also attributable to an increase in solid waste revenues of $14.5 million, due primarily to higher hauling and transfer volumes in the Central region, higher composting volumes in the North Eastern region and higher commodity prices which resulted in an increase in recycling revenues of $9.1 million.

Cost of operations. Cost of operations increased $25.1 million, or 8.8%, to $310.9 million in fiscal year 2005 from $285.8 million in fiscal year 2004. Cost of operations as a percentage of revenues decreased to 64.5% for the fiscal year 2005, from 65.3% in the prior year primarily due to the effect of lower disposal costs as a percentage of revenue from the impact of the activation of new disposal capacity. The dollar increase in cost of operations expense for fiscal year 2005 is primarily due to the effect of higher levels of operating activity and acquired businesses, higher cost of commodity purchases due to higher prices, higher transportation costs as well as higher fuel costs.

General and administration. General and administration expenses increased $5.5 million, or 9.5%, to $63.7 million in fiscal year 2005 from $58.2 million in fiscal year 2004. General and administration expenses as a percentage of revenues remained unchanged in fiscal year 2005 compared to fiscal year 2004. The dollar increase in general and administration expense was due to higher bonus accruals, communications and training costs as well as expenses related to compliance with the Sarbanes Oxley Act.

Depreciation and amortization. Depreciation and amortization expense increased $6.0 million, or 10.1% to $65.6 million in fiscal year 2005 from $59.6 million in fiscal year 2004. While depreciation expense increased by $1.2 million between periods, landfill amortization expense increased by $4.8 million which was primarily due to higher volumes, in part related to new disposal facilities which became active in the third and fourth quarters of fiscal year 2004. Depreciation and amortization expense as a percentage of revenues remained unchanged in fiscal year 2005 compared to fiscal year 2004.

Impairment charge. In the fourth quarter of fiscal 2004 we recorded an impairment charge of $1.7 million consisting of a $0.4 million write-down of our investment in Resource Optimization Technology ("ROT"), a compost facility, which we transferred at no cost to a third party in February 2005; a charge of $0.9 million relating to the sale of buildings and land at our former recycling facility in Mechanics Falls, Maine; and a charge of $0.4 million related to the discontinuation of an effort to develop a new landfill project in Rockingham, VT.

Deferred costs. A charge of $0.3 million was recorded in fiscal 2005 to reflect the write-off of deferred development costs associated with unsuccessful negotiations to operate and develop a landfill located in McKean County, Pennsylvania.

Operating income. Operating income increased $8.7 million, or 26.6 %, to $41.4 million in fiscal year 2005 from $32.7 million in fiscal year 2004 and increased as a percentage of revenues to 8.6% in fiscal year 2005 from 7.5% in fiscal year 2004. The increase in operating income is primarily due to higher levels of revenue.

Interest expense, net. Net interest expense increased $4.2 million, or 16.7%, to $29.4 million in fiscal year 2005, from $25.2 million in fiscal year 2004. This increase is mainly attributable to higher average debt balances due to higher capital expenditures and payments on landfill operating lease contracts as well as higher average interest rates in fiscal year 2005 compared to the prior year. Net interest expense, as a percentage of revenues, increased to 6.1% for fiscal year 2005 from 5.8% for fiscal year 2004.

Income from equity method investments. Income from equity method investments for fiscal years ended April 30, 2005 and 2004 was solely from our 50% joint venture interest in GreenFiber. Equity income from GreenFiber increased $0.6 million to $2.9 million in fiscal year 2005 compared to $2.3 million in fiscal year 2004. The increase is attributable to higher volume as well as increased pricing.

Loss on debt extinguishment. In the fourth quarter of fiscal year 2005 we entered into a new senior secured credit facility resulting in the write off of $1.7 million in debt financing costs associated with the old senior secured credit facility.

Other expense/(income), net. Other expense in fiscal year 2005 was $0.3 million compared to $5.9 million in fiscal year 2004. Other expense in fiscal year 2005 consisted of the costs of winding down the operations of the New Heights power plant and a loss on retirement of fixed assets, partially offset by gains on the sale of equipment and a dividend from our investment in Evergreen National Indemnity Company. Other expense in fiscal year 2004 included an $8.0 million charge for the write-down of our investment in the New Heights power plant venture and our remaining investment in certain tire recycling operations and the power plant venture. Offsetting this charge, we recognized a gain of $1.1 million on the completion of our sale of its export recyclables business and other gains, primarily on the sale of trucks and containers, of $0.5 million.

Provision/(benefit) for income taxes. Provision for income taxes increased $7.3 million for fiscal year 2005 to $5.7 million from $(1.6) million for fiscal year 2004. The effective tax rate increased to 44.3% for fiscal year 2005 from (43.0)% for fiscal year 2004 primarily due to a prior year decrease in the valuation allowance for loss carryforwards as utilization of the Company's tax losses became more certain.

Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle. Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle increased $1.8 million, or 33.3%, to $7.2 million in fiscal year 2005 from $5.4 million in fiscal year 2004 and increased as a percentage of revenue to 1.5% in fiscal year 2005 from 1.2% in fiscal year 2004. The increase in income from continuing operations before discontinued operations and cumulative effect of change in accounting principle is due to increased operating income, partially offset by increased interest expense and higher tax expense due to a higher effective tax rate. The North Eastern and South Eastern region's income from continuing operations before discontinued operations and cumulative effect of change in accounting principle decreased in fiscal year 2005 compared to fiscal year 2004 due primarily to higher costs associated with new disposal facility projects, one of which is not yet fully operational. Western region's income from continuing operations before discontinued operations and cumulative effect of change in accounting principle increased from the prior period due to the acquisition of an operating contract at the Ontario landfill. FCR Recycling's income from continuing operations before discontinued operations and cumulative effect of change in accounting principle increased in fiscal year 2005 from 2004 due primarily to favorable commodity pricing.

Income (loss) from discontinued operations/Loss on disposal of discontinued operations. During the second quarter of fiscal 2005, we completed the sale of the assets of Data Destruction Services, Inc. ("Data Destruction") for cash sale proceeds of $3.0 million. This shredding operation had been historically accounted for as a component of continuing operations up until its sale. The transaction required discontinued operations treatment under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* therefore the operating results of Data Destruction have been reclassified from continuing to discontinued operations in fiscal 2003, 2004 and 2005. Also in connection with the discontinued

accounting treatment, the loss (net of tax) from the sale amounting to $0.1 million has been recorded and classified as a loss on disposal of discontinued operations.

Cumulative effect of change in accounting principle, net. Effective May 1, 2003, we adopted SFAS No. 143, *Accounting for Asset Retirement Obligations*. The primary modification to our methodology required by SFAS No. 143 is to require that capping, closure and post-closure costs be discounted to present value. Upon adoption of SFAS No. 143 we recorded a cumulative effect of change in accounting principle of $2.7 million (net of taxes of $1.9 million) in order to reflect the cumulative change in accounting for landfill obligations retroactive to the date of the inception of the landfill.

Fiscal Year 2004 versus Fiscal Year 2003

Revenues. Revenues increased $18.5 million, or 4.4%, to $438.0 million in fiscal year 2004 from $419.5 million in fiscal year 2003. The revenue increase is attributable to an increase in core solid waste revenues of $15.7 million, due primarily to higher composting volumes in the North Eastern region, higher hauling and transfer volumes in the Central and Southeastern regions as well as higher landfill volumes in the Western region. Higher recycling volumes and prices resulted in a net increase in recycling revenues of $12.0 million. Loss of revenues from businesses divested, primarily domestic and export brokerage, amounted to $32.6 million, partially offset by the roll-over effect of businesses acquired of $23.4 million, primarily due to new disposal facilities in the Western and South Eastern regions (Ontario, Southbridge and Hardwick landfills) as well as solid waste hauling operations in the Central, South Eastern and Western regions .

Cost of operations. Cost of operations increased $8.2 million, or 3.0%, to $285.8 million in fiscal year 2004 from $277.6 million in fiscal year 2003. Cost of operations as a percentage of revenues decreased to 65.3% in fiscal year 2004 from 66.2% in fiscal year 2003. The dollar increase in cost of operations expenses is primarily due to the effect of acquired businesses and a net increase in material purchases resulting from higher recycling volumes, which were partially offset by lower commodity purchases resulting from the divestiture of the export and domestic brokerage business.

General and administration. General and administration expenses increased $2.8 million, or 5.1%, to $58.2 million in fiscal year 2004 from $55.4 million in fiscal year 2003. General and administration expenses as a percentage of revenues remained unchanged in fiscal year 2004 compared to fiscal year 2003. The dollar increase in general and administrative costs was due to higher bad debt and travel costs associated with the development of new landfill capacity.

Depreciation and amortization. Depreciation and amortization expense increased $11.7 million, or 24.4% to $59.6 million in fiscal year 2004 from $47.9 million in fiscal year 2003. Depreciation expense was up $2.4 million between periods and landfill amortization expense increased $9.3 million which was primarily attributable to increased landfill volumes, the effect of newly acquired landfill operations and as a result of adopting SFAS No. 143. Depreciation and amortization expense as a percentage of revenue rose to 13.6% in fiscal year 2004 from 11.4% in fiscal year 2003 which resulted from the higher landfill amortization expense.

Impairment charge. In the fourth quarter of fiscal 2004 we recorded an impairment charge of $1.7 million consisting of a $0.4 million write-down of our investment in Resource ROT, a compost facility, which we intend to transfer at a third party; a charge of $0.9 million relating to the sale of buildings and land at our former recycling facility in Mechanics Falls, Maine; and a charge of $0.4 million related to the discontinued Rockingham landfill project.

Operating income. Operating income decreased $1.1 million, or 3.3 %, to $32.7 million in fiscal year 2004 from $33.8 million in fiscal year 2003 and decreased as a percentage of revenues to 7.5% in fiscal year 2004 from 8.0% in fiscal year 2003. The decrease in operating income is primarily due to higher depreciation and amortization attributable to increased landfill volumes, the effect of newly acquired landfill operations and as a result of adopting SFAS No. 143.

Interest expense, net. Net interest expense decreased $0.8 million, or 3.1%, to $25.2 million in fiscal year 2004, from $26.0 million in fiscal year 2003. This decrease is primarily attributable to lower average debt balances and lower interest rates on variable rate debt in the current year, versus the prior period. Interest expense, as a percentage of revenues, decreased to 5.8% in fiscal year 2004 from 6.2% in fiscal year 2003.

Income from equity method investments. Income from equity method investments for fiscal years ended April 30, 2004 and 2003 was solely from our 50% joint venture interest in GreenFiber. Equity income from GreenFiber increased $0.2 million to $2.3 million in fiscal year 2004 compared to $2.1 million in fiscal year 2003. Equity income from GreenFiber in

fiscal year 2003 included a $1.0 million gain associated with an eminent domain settlement received from a state department of transportation on the involuntary conversion of a portion of a GreenFiber leased manufacturing facility.

Loss on debt extinguishment. In fiscal year 2003, we entered into a new senior secured credit facility resulting in the write off of $3.6 million in debt financing costs associated with the old senior secured credit facility.

Minority interest. Minority interest in fiscal year 2003 reflects a minority owner's interest in our majority owned subsidiary, American Ash Recovery Technologies ("AART"). AART completed its ash operation contract and closed its operations in fiscal year 2003.

Other expense/(income), net. Other expense in fiscal year 2004 included an $8.0 million charge for the write-down of our investment in the New Heights power plant venture and our remaining investment in certain tire recycling operations and the power plant venture. Offsetting this charge, we recognized a gain of $1.1 million on the completion of our sale of its export recyclables business and other gains, primarily on the sale of trucks and containers, of $0.5 million. Other income in fiscal 2003 was attributable to a gain of $1.2 million related to a settlement with Oakhurst Company, Inc., as well as a gain on the divestitures and other assets of $1.0 million and a gain on the conclusion of the AART contract of $0.3 million, offset by a $1.3 million charge for interest rate swap unwind costs.

Provision/(benefit) for income taxes. Provision for income taxes decreased $5.4 million for fiscal year 2004 to a benefit of $(1.6) million from a provision of $3.8 million for fiscal year 2003. The effective tax rate decreased to (43.0)% for fiscal year 2004 from 48.4% for fiscal year 2003. This was primarily due to a decrease in the valuation allowance for loss carryforwards in 2004 as utilization of tax losses is more certain, as well as, in 2003, the nondeductible impairment of goodwill and nondeductible losses on business dispositions.

Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle. Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle increased $1.3 million, or 31.7%, to $5.4 million in fiscal year 2004 from $4.1 million in fiscal year 2003 and increased as a percentage of revenue to 1.2% in fiscal year 2004 from 1.0% in fiscal year 2003. South Eastern region's income from continuing operations before discontinued operations and cumulative effect of change in accounting principle decreased in fiscal year 2004 compared to fiscal year 2003 due primarily to hauling activities as well as the adoption of SFAS No. 143. North Eastern region's income from continuing operations before discontinued operations and cumulative effect of change in accounting principle increased due the adoption of SFAS 143 partially offset by impairment charges for ROT and our Mechanic Falls facility. FCR Recycling's income from continuing operations before discontinued operations and cumulative effect of change in accounting principle increased in fiscal year 2004 compared to fiscal year 2003 due to prior year impairment charges associated with domestic brokerage and commercial recycling.

Income (loss) from discontinued operations, net. During the second quarter of fiscal 2005, we completed the sale of the assets of Data Destruction. This shredding operation had been historically accounted for as a component of continuing operations up until its sale. The transaction required discontinued operations treatment under SFAS No. 144, therefore the operating results of Data Destruction have been reclassified from continuing to discontinued operations in fiscal 2003 and 2004.

Cumulative effect of change in accounting principle, net. Effective May 1, 2003, we adopted SFAS No. 143. The primary modification to our methodology required by SFAS No. 143 is to require that capping, closure and post-closure costs be discounted to present value. Upon adoption of SFAS No. 143 we recorded a cumulative effect of change in accounting principle of $2.7 million (net of taxes of $1.9 million) in order to reflect the cumulative change in accounting for landfill obligations retroactive to the date of the inception of the landfill.

Effective May 1, 2002, we adopted SFAS No. 142, *Goodwill and Other Intangible Assets,* which, among other things, eliminates the amortization of goodwill and requires an annual assessment of goodwill impairment by applying a fair value based test. Goodwill was determined to be impaired and the amount of $63.9 million (net of tax benefit of $0.2 million) was charged to earnings in fiscal 2003 as a cumulative effect of change in accounting principle. The goodwill impairment charge was related to our waste-to-energy operation, Maine Energy, and the brokerage business of the FCR Recycling segment, both of which were acquired as part of our acquisition of KTI. At the time of acquisition, we recorded the fair value of these businesses using an independent third party valuation. The underlying assumptions used to establish the value of these businesses, including earnings projections, commodity pricing assumptions and industry valuation multiples for recycling products, were not realized. Accordingly, goodwill impairment charges were recorded as the net book value of these

businesses exceeded their fair value.

Liquidity and Capital Resources

Our business is capital intensive. Our capital requirements include acquisitions, fixed asset purchases and capital expenditures for landfill development and cell construction as well as site and cell closure. We had a net working capital deficit of $31.9 million at April 30, 2005 compared to a net working capital deficit of $25.9 million at April 30, 2004. Working capital, net comprises current assets, excluding cash and cash equivalents, minus current liabilities. The main factors accounting for the decrease were higher trade payables and accrual balances due to higher capital expenditures close to year end 2005, deferred taxes and higher current accruals for capping, closure and post-closure costs, partially offset by increases in trade receivables associated with higher revenues in the last month of the year and lower current maturities of long-term debt related to the new credit facility as well as payments on various seller financed notes in fiscal 2005.

On April 29, 2005, we entered into a new senior credit facility with a group of banks for which Bank of America is acting as agent. The new facility consists of a senior secured revolving credit facility in the amount of $350.0 million. Under certain circumstances we have the option of increasing the credit facility by an additional $100.0 million provided that we are not in default at the time of the increase, and subject to the receipt of commitments from lenders for such additional amount. This credit facility is secured by all of our assets, including our interest in the equity securities of our subsidiaries. The new revolving credit facility matures April 2010. The initial borrowings under the credit facility were used to repay all outstanding indebtedness under the old term loan and the old revolver. The former senior credit facility consisted of a $175.0 million senior secured revolving credit facility and a senior secured term "B" loan, which had an outstanding balance of $148.5 million at April 29, 2005. Further advances were available under the old revolver and new revolver in the amount of $142.1 million and $140.4 million as of April 30, 2004 and 2005, respectively. These available amounts are net of outstanding irrevocable letters of credit totaling $32.9 million and $32.3 as of April 30, 2004 and 2005. As of April 30, 2004 and 2005 no amounts had been drawn under the outstanding letters of credit.

The new senior revolving credit facility agreement contains covenants that may limit our activities, including covenants that restrict dividends on common stock, limit capital expenditures, and set minimum net worth and interest coverage and leverage ratios. As of April 30, 2005, we were in compliance with all covenants.

We recorded a loss on extinguishment of debt of $1.7 million as a result of the write-off of deferred financing costs associated with the old senior secured credit facility.

We have historically entered into interest rate swap agreements to balance fixed and floating rate debt interest risk in accordance with management's criteria. The agreements are contracts to exchange fixed and floating interest rate payments periodically over a specified term without the exchange of the underlying notional amounts. The agreements provide only for the exchange of interest on the notional amounts at the stated rates, with no multipliers or leverage. Differences paid or received over the life of the agreements are recorded in the consolidated financial statements as additions to or reductions of interest expense on the underlying debt. We terminated two interest rate swap agreements effective April 28, 2005 concurrent with entering into the new credit facility. We received net proceeds of $0.4 million which will be amortized against interest expense over the remaining original term of the swap contracts, to February 2006.

On May 9, 2005, we entered into three separate interest rate swap agreements with three banks for a notional amount of $75.0 million. The contracts are forward starting contracts that will effectively fix the interest index rate on the entire notional amount at 4.4% from May 4, 2006 through May 5, 2008.

As of April 30, 2005, we had outstanding $195.0 million of 9.75% senior subordinated notes (the ''notes'') which mature in January 2013. The senior subordinated note indenture contains covenants that restrict dividends, stock repurchases and other payments, and limits the incurrence of debt and issuance of preferred stock. The notes are guaranteed jointly and severally, fully and unconditionally by our significant wholly-owned subsidiaries.

Net cash provided by operating activities in fiscal years ended April 30, 2005 and 2004 amounted to $83.0 million and $69.9 million, respectively. The increase was mainly due to higher landfill amortization and depreciation expense which increased approximately $6.0 million. This was primarily due to higher landfill volumes, in part related to new disposal facilities which became active in the third and fourth quarters of fiscal year 2004. Higher income from equity method investments of $0.6 million was more than offset by a dividend of $2.0 million from GreenFiber in fiscal year 2005.

Deferred income taxes increased $7.1 million from the prior year. Depletion of landfill operating lease obligations increased $3.6 million from the prior year which was due to landfill operating lease contracts entered into in the third and fourth quarters of fiscal year 2004. The increase from fiscal year 2004 to 2005 was partially offset by the loss on asset writedown recorded in fiscal year 2004. Changes in assets and liabilities, net of effects of acquisitions and divestitures, decreased $1.0 million from the prior year.

Net cash used in investing activities in fiscal year 2005 and fiscal year 2004 amounted to $103.8 million and $123.7 million, respectively. The decrease in cash used in investing activities was due to lower acquisition activity by $23.1 million in the current year as well as higher proceeds from divestitures of $1.9 million and advances to unconsolidated entities of $7.3 million in fiscal year 2004 which did not recur in fiscal year 2005. Capital expenditures increased $21.7 million due to increased landfill development as well as real property purchases partially offset by a decrease in payments on landfill operating lease contracts of $11.9 million related to landfill operating lease agreements entered into during the third and fourth quarters of fiscal year 2004.

Net cash provided by financing activities was $21.3 million in fiscal year 2005 compared to $46.1 million provided by financing activities in fiscal year 2004. The decrease in cash provided by financing activities is primarily due to lower net borrowings of $22.7 million for fiscal year 2005. Higher net borrowings for fiscal year 2004 were utilized primarily to fund acquisition activity.

Our capital expenditures were $80.1 million in fiscal year 2005 compared to $58.3 million in fiscal year 2004. Capital spending was higher in fiscal year 2005 mainly due to capital expenditures related to existing landfills and newly acquired landfill operating contracts. We expect capital spending to amount to between $95.0 million and $99.0 million in fiscal year 2006. The expected increase is due to capital expenditures at the newly acquired landfills.

In fiscal year 2005, we acquired ten solid waste hauling and disposal operations for an aggregate consideration of $10.2 million, consisting of $9.5 million in cash and $0.7 million in notes payable and other consideration. In fiscal year 2004, we acquired ten solid waste hauling operations and one construction and demolition processing facility, which also operates a landfill facility under an operating lease contract for an aggregate consideration of $32.6 million, consisting of $31.9 million in cash and $0.7 million in other consideration. We also obtained two landfill operating lease contracts in fiscal year 2004. For the new landfill operating lease contracts, we made payments totaling $20.3 million and $32.2 million in fiscal years 2005 and 2004, respectively.

We generally meet liquidity needs from operating cash flow. These liquidity needs are primarily for capital expenditures for vehicles, containers and landfill development, debt service costs and capping, closure and post-closure expenditures. It is our intention to continue to grow organically and through acquisitions. The funds to do so are expected to be obtained from operations and the our credit facility. At April 30, 2005 at the Company's existing covenant requirements, all of the funds available under that facility could have been drawn without breaching those covenants.

In addition, we have filed a universal shelf registration statement with the SEC which has not yet become effective. Once declared effective by the SEC, we could, from time to time, issue securities there under in an amount of up to $250.0 million. However, our ability and willingness to issue securities pursuant to this registration statement will depend on market conditions at the time of any such desired offering and therefore we may not be able to issue such securities on favorable terms, if at all.

Contractual Obligations

The following table summarizes our significant contractual obligations and commitments as of April 30, 2005 (in thousands) and the anticipated effect of these obligations on our liquidity in future years:

	Fiscal Year(s) April 30,				
	2006	2007-2008	2009-2010	Thereafter	Total
Long-term debt	$ 281	$ 536	$ 177,440	$ 195,000	$ 373,257
Capital lease obligations	632	1,394	81	—	2,107
Interest obligations (1)	29,121	58,070	57,921	50,700	195,812
Operating leases (2)	8,976	16,609	13,980	122,814	162,379
Closure/post-closure	5,162	6,869	9,450	136,086	157,567
Redeemable preferred securities (3)	—	76,119	—	—	76,119
Total contractual cash obligations (4)	$ 44,172	$ 159,597	$ 258,872	$ 504,600	$ 967,241

(1) Interest obligations based on long-term debt and capital lease balances as of April 30, 2005. Interest obligations related to variable rate debt was calculated using variable rates in effect at April 30, 2005.

(2) Includes obligations related to landfill operating lease contracts.

(3) Assumes redemption on the seventh anniversary of the closing date at the book value which includes all accrued and unpaid dividends.

(4) Contractual cash obligations do not include accounts payable or accrued liabilities, which will be paid in fiscal year 2006.

We believe that our cash provided internally from operations together with our senior secured credit facility should enable us to meet our working capital and other cash needs for the foreseeable future.

Inflation and Prevailing Economic Conditions

To date, inflation has not had a significant impact on our operations. Consistent with industry practice, most of our contracts provide for a pass-through of certain costs, including increases in landfill tipping fees and, in some cases, fuel costs. We have implemented a fuel surcharge program, which is designed to recover fuel price fluctuations. We therefore believe we should be able to implement price increases sufficient to offset most cost increases resulting from inflation. However, competitive factors may require us to absorb at least a portion of these cost increases, particularly during periods of high inflation.

Our business is located mainly in the eastern United States. Therefore, our 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. We are unable to forecast or determine the timing and/or the future impact of a sustained economic slowdown.

New Accounting Standards

In July 2001, the FASB issued SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets*. These new standards significantly modified the accounting rules related to accounting for business acquisitions, amortization of intangible assets and the method of accounting for impairments of existing goodwill. The effective date for SFAS No. 142 was fiscal years beginning after December 15, 2001.

SFAS No. 142, among other things, eliminates the amortization of goodwill and requires an annual assessment of goodwill impairment by applying a fair value based test. SFAS No. 142 requires that any goodwill recorded in connection with an acquisition consummated on or after July 1, 2001 not be amortized. We performed an impairment test as of May 1, 2002 and goodwill was determined to be impaired and the amount of $63.9 million (net of tax benefit of $0.2 million) was charged to earnings as a cumulative effect of a change in accounting principle. The goodwill impairment is associated with the assets acquired by us in connection with its acquisition of KTI. Remaining goodwill will be tested for impairment on an annual basis and further impairment charges may result. In accordance with the non-amortization provisions of SFAS No. 142, remaining goodwill will not be amortized going forward. The following schedule reflects net income (loss) and earnings (loss) per share for fiscal year 2003 adjusted to exclude impairment charges (dollars in thousands, except for per share data).

	Fiscal Year Ended April 30, 2003
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	$ 4,078
Discontinued Operations:	
Loss from discontinued operations, net	(20)
Reclassification from discontinued operations, net	50
Cumulative effect of change in accounting principle, net	(63,916)
Reported net loss	(59,808)
Add:	
Goodwill impairment charge (net of income taxes of $189)	63,916
Adjusted net income	4,108
Less:	
Preferred stock dividends	3,094
Adjusted net income available to common stockholders	$ 1,014
Earnings per common share:	
Basic earnings per common share:	
Reported net loss available to common stockholders	$ (2.65)
Goodwill impairment charge, net	2.69
Goodwill amortization, net	—
Adjusted basic earnings per share available to common stockholders	$ 0.04
Diluted earnings per common share:	
Reported net loss available to common stockholders	$ (2.63)
Goodwill impairment charge, net	2.67
Adjusted diluted earnings per share available to common stockholders	$ 0.04

SFAS No. 143, *Accounting for Asset Retirement Obligations* was adopted effective May 1, 2003. Through April 30, 2003 we recognized expenses associated with (i) amortization of capitalized and future landfill asset costs and (ii) future closure and post-closure obligations on a units-of-consumption basis as airspace was consumed over the life of the related landfill. This practice, referred to as life-cycle accounting within the waste industry, continues to be followed, with the exception of capitalized and future landfill capping costs. As a result of the adoption of SFAS No. 143, future capping costs are identified by specific capping event and amortized over the specific estimated capacity related to that event rather than over the life of the entire landfill, as was the practice prior to our adoption of SFAS No. 143.

The primary modification to our methodology required by SFAS No. 143 is that capping, closure and post-closure costs be discounted to present value. Our estimates of future capping, closure and post-closure costs historically have not taken into account discounts for the present value of costs to be paid in the future. Under SFAS No. 143, our estimates of costs to discharge asset retirement obligations for landfills are developed in today's dollars. These costs were are then inflated by 2.6% to reflect a normal escalation of prices up to the year they are expected to be paid. These estimated costs were then discounted to their present value using a credit adjusted risk-free rate of 9.5%.

Under SFAS No. 143, except for accretion expense, we no longer accrue landfill retirement obligations through a charge to cost of operations, but rather by an increase to landfill assets. Under SFAS No. 143, the amortizable landfill assets include not only the landfill development costs incurred but also the recorded capping, closure and post-closure liabilities, as well as the cost estimates for future capping, closure and post-closure costs. The landfill asset is amortized over the total capacity of the landfill, as airspace is consumed during the life of the landfill with one exception. The exception is for capping for which both the recognition of the liability and the amortization of these costs are based instead on the airspace consumed for the specific capping event.

Upon adoption, SFAS No. 143 required a cumulative change in accounting for landfill obligations retroactive to the date of the inception of the landfill. Inception of the asset retirement obligation is the date operations commenced or the date the asset was acquired. To do this, SFAS No. 143 required the creation of the related landfill asset, net of accumulated amortization, and an adjustment to the capping, closure and post-closure liability for cumulative accretion.

At May 1, 2003, the Company recorded a cumulative effect of change in accounting principle of $2,723 (net of taxes of $1,856). In addition we recorded a decrease in our capping, closure and post-closure obligations of $7,855, and a decrease in our net landfill assets of $3,228. The following is a summary of the balance sheet changes for landfill assets and capping, closure and post-closure liabilities at May 1, 2003 (in thousands):

	Balance at April 30, 2003	Change	Balance at May 1, 2003
Landfill assets	$ 148,029	$ 6,166	$ 154,195
Accumulated amortization	(63,207)	(9,394)	(72,601)
Net landfill assets	$ 84,822	$ (3,228)	$ 81,594
Capping, closure, and post-closure liabilities	$ 25,949	$ (7,855)	$ 18,094

The pro forma effects of the application of SFAS 143 as if the statement had been adopted on May 1, 2002, rather than May 1, 2003, using May 1, 2003 costs, assumptions and interest rates are presented below (in thousands):

	Fiscal Year Ended April 30, 2003
Net (loss) income available to common stockholders, as reported	$ (62,902)
Reversal of closure and post-closure expense, net of tax	(4,331)
Amortization expense, net of tax	1,526
Accretion expense, net of tax	764
Pro forma net (loss) income	$ (60,861)
Reported net (loss) income per common share	$ (2.63)
Pro forma net (loss) income per common share	$ (2.55)

The pro forma asset retirement obligation liability balances as if SFAS 143 had been adopted on May 1, 2002, rather than May 1, 2003, are as follows:

	April 30, 2003
Accrued capping, closure and post-closure costs, as reported	$ 25,949
Pro forma accrued capping, closure and post-closure costs	$ 18,094

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003) *Consolidation of Variable Interest Entities* (FIN 46R). FIN 46R requires unconsolidated variable interest entities to be consolidated by their primary beneficiaries. FIN 46R was effective for periods ending after December 15, 2003 for public companies. As of April 30, 2004 and 2005, we had no material variable interest entities requiring consolidation under FIN 46R.

In December 2004, the FASB issued SFAS 123R, *Share-Based Payment*. SFAS 123R replaces SFAS 123 and supersedes APB Opinion No. 25 requiring public companies to recognize compensation expense for the cost of awards of equity instruments. This compensation cost will be measured as the fair value of the award on the grant date estimated using an option-pricing model. SFAS 123R was originally issued with implementation required for interim and annual periods beginning after June 15, 2005. On April 14, 2005, the Securities and Exchange Commission (SEC) amended the effective date to the beginning of the first fiscal year after June 15, 2005. We are evaluating the various transition provisions under SFAS 123R and will adopt SFAS 123R effective May 1, 2006, which is expected to result in increased compensation expense in future periods.

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 Annual Report on Form 10-K and presented elsewhere by management from time to time.

The Company's increased leverage may restrict its future operations and impact its ability to make future acquisitions.

The Company's indebtedness has substantially increased. The payment of interest and principal due under this indebtedness has reduced, and may continue to reduce, funds available for other business purposes, including capital expenditures and acquisitions. In addition, the aggregate amount of indebtedness has limited and may continue to limit the Company's ability to incur additional indebtedness, and thereby may limit its acquisition program.

The Company may not be successful in making acquisitions of solid waste assets, including developing additional disposal capacity, or in integrating acquired businesses or assets, which could limit the Company's future growth.

The Company's strategy envisions that a substantial part of the Company's future growth will come from making acquisitions of traditional solid waste assets or operations and acquiring or developing additional disposal capacity. These acquisitions may include ''tuck-in'' acquisitions within the Company's existing markets, assets that are adjacent to or outside the Company's existing markets, or larger, more strategic acquisitions. In addition, from time to time the Company may acquire businesses that are complementary to the Company's core business strategy. The Company may not be able to identify suitable acquisition candidates. If the Company identifies suitable acquisition candidates, the Company may be unable to negotiate successfully their acquisition at a price or on terms and conditions favorable to the Company. Furthermore, the Company may be unable to obtain the necessary regulatory approval to complete potential acquisitions.

The Company's ability to achieve the benefits the Company anticipates from acquisitions, including cost savings and operating efficiencies, depends in part on the Company's ability to successfully integrate the operations of such acquired businesses with the Company's operations. The integration of acquired businesses and other assets may require significant management time and company resources that would otherwise be available for the ongoing management of the Company's existing operations.

In addition, the process of acquiring, developing and permitting additional disposal capacity is lengthy, expensive and uncertain. For example, the Company is currently involved in litigation with the Town of Bethlehem, New Hampshire relating to the expansion of a landfill owned by the Company's wholly owned subsidiary, North Country Environmental Services, Inc. Moreover, the disposal capacity at the Company's existing landfills is limited by the remaining available volume at the Company's landfills and annual, quarterly and/or daily disposal limits imposed by the various governmental authorities with jurisdiction over the Company's landfills. The Company typically reaches or approximates the Company's daily, quarterly and annual maximum permitted disposal capacity at the majority of the Company's landfills. If the Company is unable to develop or acquire additional disposal capacity, the Company's ability to achieve economies from the internalization of the Company's waste stream will be limited and the Company may be required to increase the Company's utilization of disposal facilities owned by third parties, which could reduce the Company's revenues and/or the Company's operating margins.

The Company's ability to make acquisitions is dependent on the availability of adequate cash and the attractiveness of the Company's stock price.

The Company anticipates that any future business acquisitions will be financed through cash from operations, borrowings under the Company's senior secured credit facility, the issuance of shares of the Company's Class A common stock and/or seller financing. The Company may not have sufficient existing capital resources and may be unable to raise sufficient additional capital resources on terms satisfactory to the Company, if at all, in order to meet the Company's capital requirements for such acquisitions.

The Company also believes that a significant factor in the Company's ability to close acquisitions will be the attractiveness to the Company and to persons selling businesses to the Company 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 Company's Class A common stock compared to the equity securities of the Company's competitors. The trading price of the Company's Class A common stock on the NASDAQ National Market has limited the Company's willingness to use the Company's equity as consideration and the willingness of sellers to accept the Company's shares and as a result has limited, and could continue to limit, the size and scope of the Company's acquisition program.

Environmental regulations and litigation could subject the Company to fines, penalties, judgments and limitations on the Company's ability to expand.

The Company is subject to potential liability and restrictions under environmental laws, including those relating to transport, recycling, treatment, storage and disposal of wastes, discharges to air and water, and the remediation of contaminated soil, surface water and groundwater. The waste management industry has been and will continue to be subject to regulation, including permitting and related financial assurance requirements, as well as to attempts to further regulate the industry through new legislation. The Company's waste-to-energy facility is subject to regulations limiting discharges of pollution into the air and water, and the Company's solid waste operations are subject to a wide range of federal, state and, in some cases, local environmental, odor and noise and land use restrictions. For example, the Company's waste-to-energy facility in Biddeford, Maine is affected by zoning restrictions and air emissions limitations in its efforts to implement a new odor control system. If the Company is not able to comply with the requirements that apply to a particular facility or if the Company operates without necessary approvals, the Company could be subject to civil, and possibly criminal, fines and penalties, and the Company may be required to spend substantial capital to bring an operation into compliance or to temporarily or permanently discontinue, and/or take corrective actions, possibly including removal of landfilled materials, regarding an operation that is not permitted under the law. The Company may not have sufficient insurance coverage for the Company's environmental liabilities. Those costs or actions could be significant to the Company and impact the Company's results of operations, as well as the Company's available capital.

Environmental and land use laws also impact the Company's ability to expand and, in the case of the Company's solid waste operations, may dictate those geographic areas from which the Company must, or, from which the Company may not, accept waste. Those laws and regulations may limit the overall size and daily waste volume that may be accepted by a solid waste operation. If the Company is not able to expand or otherwise operate one or more of the Company's facilities because of limits imposed under environmental laws, the Company may be required to increase the Company's utilization of disposal facilities owned by third parties, which could reduce the Company's revenues and/or operating margins.

The Company has historically grown and intends to continue to grow through acquisitions, and the Company has tried and will continue to try to evaluate and limit environmental risks and liabilities presented by businesses to be acquired prior to the acquisition. It is possible that some liabilities, including ones that may exist only because of the past operations of an acquired business, may prove to be more difficult or costly to address than the Company anticipates. It is also possible that government officials responsible for enforcing environmental laws may believe an issue is more serious than the Company expects, or that the Company will fail to identify or fully appreciate an existing liability before the Company becomes legally responsible to address it. Some of the legal sanctions to which the Company could become subject could cause the Company to lose a needed permit, or prevent the Company from or delay the Company in obtaining or renewing permits to operate the Company's facilities or harm the Company's reputation.

The Company's operating program depends on the Company's ability to operate and expand the landfills the Company owns and leases and to develop new landfill sites. Localities where the Company operates generally seek to regulate some or all landfill operations, including siting and expansion of operations. The laws adopted by municipalities in which the Company's landfills are located may limit or prohibit the expansion of the landfill as well as the amount of waste that the Company can accept at the landfill on a daily, quarterly or annual basis and any effort to acquire or expand landfills typically involves a significant amount of time and expense. For example, expansion at the Company's North County Environmental Services landfill, outside the original 51 acres, will be prohibited as a result of a recent decision by the New Hampshire Supreme Court unless the Company prevails in certain remanded issues under zoning laws or the Town revises its local ordinance prohibiting expansions. In addition, operation of the Templeton landfill will require repeal of a town by-law prohibiting the acceptance of out-of-town waste. The Company may not be successful in obtaining new landfill sites or expanding the permitted capacity of any of the Company's current landfills once their remaining disposal capacity has been consumed. If the Company is unable to develop additional disposal capacity, the Company's ability to achieve economies from the internalization of the Company's wastestream will be limited and the Company will be required to utilize the disposal facilities of the Company's competitors.

In addition to the costs of complying with environmental laws and regulations, the Company incurs costs defending against

environmental litigation brought by governmental agencies and private parties. The Company is, and also may be in the future, a defendant in lawsuits brought by parties alleging environmental damage, personal injury, and/or property damage.

The Company's operations would be adversely affected if the Company does not have access to sufficient capital.

The Company's ability to remain competitive and sustain the Company's operations depends in part on cash flow from operations and the Company's access to capital. The Company currently funds the Company's cash needs primarily through cash from operations and borrowings under the Company's senior secured credit facility. However, the Company may require additional equity and/or debt financing for debt repayment and equity redemption obligations and to fund the Company's growth and operations. In addition, if the Company undertakes more acquisitions or further expands the Company's operations, the Company's capital requirements may increase. The Company may not have access to the amount of capital that the Company requires from time to time, on favorable terms or at all.

The Company's results of operations could continue to be affected by changing prices or market requirements for recyclable materials.

The Company's results of operations have been and may continue to be affected by changing purchase or resale prices or market requirements for recyclable materials. The Company's recycling business involves the purchase and sale of recyclable materials, some of which are priced on a commodity basis. The resale and purchase prices of, and market demand for, recyclable materials, particularly waste paper, plastic and ferrous and aluminum metals, can be volatile due to numerous factors beyond the Company's control. Although the Company seeks to limit the Company's exposure to fluctuating commodity prices through the use of hedging agreements and long-term supply contracts with customers, these fluctuations have in the past contributed, and may continue to contribute, to significant variability in the Company's period-to-period results of operations.

The Company's business is geographically concentrated and is therefore subject to regional economic downturns.

The Company's operations and customers are principally located in the eastern United States. Therefore, the Company's business, financial condition and results of operations are susceptible to regional economic downturns and other regional factors, including state regulations and budget constraints and severe weather conditions. In addition, as the Company expands in the Company's existing markets, opportunities for growth within these regions will become more limited and the geographic concentration of the Company's business will increase.

Maine Energy may be required to make a payment in connection with the payoff of certain obligations and limited partner loans earlier than the Company had anticipated and which may exceed the amount of the liability the Company recorded in connection with the KTI acquisition.

Under the terms of waste handling agreements among the Biddeford-Saco Waste Handling Committee, the cities of Biddeford and Saco, Maine, and the Company's subsidiary Maine Energy, Maine Energy will be required, following the date on which the bonds that financed Maine Energy and certain limited partner loans to Maine Energy are paid in full, to pay a residual cancellation payment to the respective municipalities party to those agreements equal to a certain percentage of the fair market value of the equity of the partners in Maine Energy. In connection with the Company's merger with KTI, the Company estimated the fair market value of Maine Energy as of the date the limited partner loans are anticipated to be paid in full, and recorded a liability equal to the applicable percentage of such amount. The obligation has been estimated by management at $9.7 million. Management believes the possibility of material loss in excess of this amount is remote. The Company's estimate of the fair market value of Maine Energy may not prove to be accurate, and in the event the Company has underestimated the value of Maine Energy, the Company could be required to recognize unanticipated charges, in which case the Company's operating results could be harmed.

In connection with these waste handling agreements, the cities of Biddeford and Saco have lawsuits pending in the State of Maine seeking the residual cancellation payments and alleging, among other things, the Company's breach of the waste handling agreement for the Company's failure to pay the residual cancellation payments in connection with the KTI merger, failure to pay off limited partner loans in accordance with the terms of the agreement and processing amounts of waste above contractual limits without issuance of proper notice. The complaint seeks damages for breach of contract and a court order requiring the Company to provide an accounting of all relevant transactions since May 3, 1996. The Company is currently engaged in settlement negotiations with the cities of Biddeford and Saco, however, at this stage it is impossible to predict whether a settlement will be reached. If the plaintiffs are successful in their claims against the Company and damages are

awarded, the Company's operating income in the period in which such a claim is paid would be impacted.

The Company may not be able to effectively compete in the highly competitive solid waste services industry.

The solid waste services industry is highly competitive, has undergone a period of rapid consolidation and requires substantial labor and capital resources. Some of the markets in which the Company competes or will likely compete are served by one or more of the large national or multinational solid waste companies, as well as numerous regional and local solid waste companies. Intense competition exists not only to provide services to customers, but also to acquire other businesses within each market. Some of the Company's competitors have significantly greater financial and other resources than the Company. 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 contract. These practices may either require the Company to reduce the pricing of the Company's services or result in the Company's loss of business.

As is generally the case in the industry, some municipal contracts are subject to periodic competitive bidding. The Company may not be the successful bidder to obtain or retain these contracts. If the Company is unable 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 the Company's revenues would decrease and the Company's operating results would be harmed.

In the Company's solid waste disposal markets the Company also competes with operators of alternative disposal and recycling facilities and with counties, municipalities and solid waste districts that maintain their own waste collection, recycling and disposal operations. These entities may have financial advantages because user fees or similar charges, tax revenues and tax-exempt financing may be more available to them than to the Company.

The Company's GreenFiber insulation manufacturing joint venture with Louisiana-Pacific Corporation competes with other parties, principally national manufacturers of fiberglass insulation, which have substantially greater resources than GreenFiber does, which they could use for product development, marketing or other purposes to the Company's detriment.

The Company's results of operations and financial condition may be negatively affected if the Company inadequately accrues for capping, closure and post-closure costs.

The Company has material financial obligations relating to capping, closure and post-closure costs of the Company's existing landfills and will have material financial obligations with respect to any disposal facilities which the Company may own or operate in the future. Once the permitted capacity of a particular landfill is reached and additional capacity is not authorized, the landfill must be closed and capped, and post-closure maintenance started. The Company establishes accruals for the estimated costs associated with such capping, closure and post-closure obligations over the anticipated useful life of each landfill on a per ton basis. In addition to the landfills the Company currently operates, the Company owns six unlined landfills, which are not currently in operation. The Company has provided and will in the future provide accruals for financial obligations relating to capping, closure and post-closure costs of the Company's owned or operated landfills, generally for a term of 30 years after final closure of a landfill. The Company's financial obligations for capping, closure or post-closure costs could exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds established for this purpose. Such a circumstance could result in significant unanticipated charges.

Fluctuations in fuel costs could affect the Company's operating expenses and results.

The price and supply of fuel is unpredictable and fluctuates based on events beyond the Company's control, including among others, geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regional production patterns. Because fuel is needed to run the Company's fleet of trucks, price escalations for fuel increase the Company's operating expenses. In fiscal 2005, the Company used approximately 7.5 million gallons of diesel fuel in the Company's solid waste operations. Although many of the Company's customer contracts permit the Company to pass on some or all fuel increases to the Company's customers, the Company may choose not to do so for competitive reasons.

The Company could be precluded from entering into contracts or obtaining permits if the Company is unable to obtain third party financial assurance to secure the Company's contractual obligations.

Public solid waste collection, recycling and disposal contracts, obligations associated with landfill closure and the operation

and closure of waste-to-energy facilities may require performance or surety bonds, letters of credit or other means of financial assurance to secure the Company's contractual performance. If the Company is unable to obtain the necessary financial assurance in sufficient amounts or at acceptable rates, the Company could be precluded from entering into additional municipal solid waste collection contracts or from obtaining or retaining landfill management contracts or 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.

The Company may be required to write-off capitalized charges or intangible assets in the future, which could harm the Company's earnings.

Any write-off of capitalized costs or intangible assets reduces the Company's earnings and, consequently, could affect the market price of the Company's Class A common stock. In accordance with generally accepted accounting principles, the Company capitalizes certain expenditures and advances relating to the Company's acquisitions, pending acquisitions, landfills and development projects. From time to time in future periods, the Company may be required to incur a charge against earnings in an amount equal to any unamortized capitalized expenditures and advances, net of any portion thereof that the Company estimates will be recoverable, through sale or otherwise, relating to (1) any operation that is permanently shut down or has not generated or is not expected to generate sufficient cash flow, (2) any pending acquisition that is not consummated, (3) any landfill or development project that is not expected to be successfully completed, and (4) any goodwill or other intangible assets that are determined to be impaired. The Company has incurred such charges in the past.

The Company's revenues and the Company's operating income experience seasonal fluctuations.

The Company's transfer and disposal 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:

• the volume of waste relating to construction and demolition activities decreases substantially during the winter months in the North Eastern United States; and

• 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 increased volume from the winter ski industry.

Since certain of our 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 typically result in increased operating costs.

The Company's recycling business experiences increased volumes of newspaper in November and December due to increased newspaper advertising and retail activity during the holiday season. The Company's cellulose insulation joint venture experiences lower sales in March and April due to lower retail activity.

Efforts by labor unions to organize the Company's employees could divert management attention and increase the Company's operating expenses.

Labor unions regularly make attempts to organize the Company's employees, and these efforts will likely continue in the future. Certain groups of the Company's employees have chosen to be represented by unions, and the Company has negotiated collective bargaining agreements with these groups. The negotiation of collective bargaining agreements could divert management attention and result in increased operating expenses and lower net income. If the Company is unable to negotiate acceptable collective bargaining agreements, the Company might have to wait through ''cooling off'' periods, which are often followed by union-initiated work stoppages, including strikes. Depending on the type and duration of any labor disruptions, the Company's revenues could decrease and the Company's operating expenses could increase, which could adversely affect the Company's financial condition, results of operations and cash flows. As of June 15, 2005, approximately 4.5% of the Company's employees involved in collection, transfer, disposal, recycling or other operations, including the Company's employees at the Company's Maine Energy waste-to-energy facility, were represented by unions.

The Company's Class B common stock has ten votes per share and is held exclusively by John W. Casella and Douglas R. Casella.

The holders of the Company's Class B common stock are entitled to ten votes per share and the holders of the Company's Class A common stock are entitled to one vote per share. At June 15, 2005, an aggregate of 988,200 shares of the Company's Class B common stock, representing 9,882,000 votes, were outstanding, all of which were beneficially owned by John W. Casella, the Company's Chairman and Chief Executive Officer, or by his brother, Douglas R. Casella, a member of the Company's Board of Directors. Based on the number of shares of common stock and Series A redeemable convertible preferred stock outstanding on June 15, 2005, the shares of the Company's Class A common stock and Class B common stock beneficially owned by John W. Casella and Douglas R. Casella represent approximately 29.1% of the aggregate voting power of the Company's stockholders. Consequently, John W. Casella and Douglas R. Casella are able to substantially influence all matters for stockholder consideration.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

At April 30, 2005, our outstanding variable rate debt consisted of the $177.3 million senior secured revolving credit facility. If interest rates on this variable rate debt increased or decreased by 100 basis points, our annual interest expense would increase or decrease by approximately $1.7 million. The remainder of our debt is at fixed rates and not subject to interest rate risk.

On May 9, 2005, we entered into three separate interest rate swap agreements with three banks for a notional amount of $75.0 million. The contracts are forward starting contracts that will effectively fix the interest index rate on the entire notional amount at 4.4% from May 4, 2006 through May 5, 2008. These agreements will be specifically designated to interest payments under the revolving credit facility and will be accounted for as effective cash flow hedges pursuant to SFAS No. 133.

We are subject to commodity price fluctuations related to the portion of our sales of recyclable commodities that are not under floor or flat pricing arrangements. As of April 30, 2005, to minimize our commodity exposure, we were party to thirty-three commodity hedging agreements. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. If commodity prices were to change by 10%, the impact on our EBITDA and operating income is estimated at $2.4 million as of April 30, 2005, without considering our hedging agreements which are solely for OCC and ONP, but considering our revenue share contracts. The effect of the hedge position would reduce the impact by approximately $0.9 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

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

We have completed an integrated audit of Casella Waste Systems, Inc.'s 2005 consolidated financial statements and of its internal control over financial reporting as of April 30, 2005 and audits of its 2004 and 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Casella Waste Systems, Inc. and its subsidiaries at April 30, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2005 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, as of May 1, 2003, the Company changed its method of accounting for asset retirement obligations and reclassified its loss on extinguishment of debt.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of April 30, 2005 based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2005, based on criteria established in Internal Control – Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to

permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

PricewaterhouseCoopers LLP
Boston, Massachusetts
June 27, 2005

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	April 30, 2004	April 30, 2005
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,007	$ 8,578
Restricted cash	129	70
Accounts receivable - trade, net of allowance for doubtful accounts of $583 and $707	49,462	51,726
Notes receivable - officers/employees	89	88
Refundable income taxes	623	874
Prepaid expenses	4,164	4,371
Inventory	1,848	2,538
Deferred income taxes	4,328	—
Other current assets	854	1,138
Total current assets	69,504	69,383
Property, plant and equipment, net of accumulated depreciation and amortization of $268,019 and $324,903	372,038	412,753
Goodwill	157,230	157,492
Intangible assets, net	3,578	2,711
Restricted cash	12,290	12,124
Notes receivable - officers/employees	1,016	916
Deferred income taxes	286	3,155
Investments in unconsolidated entities	37,914	37,699
Net assets under contractual obligation	2,148	1,392
Other non-current assets	14,928	14,829
	601,428	643,071
	$ 670,932	$ 712,454

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
(in thousands, except for share and per share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	April 30, 2004	April 30, 2005
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 5,542	$ 281
Current maturities of capital lease obligations	602	632
Accounts payable	40,034	46,107
Accrued payroll and related expenses	7,425	9,688
Accrued interest	6,024	4,818
Deferred income taxes	—	1,419
Accrued capping, closure and post-closure costs, current portion	2,471	5,290
Other accrued liabilities	25,273	24,519
Total current liabilities	87,371	92,754
Long-term debt, less current maturities	349,163	378,436
Capital lease obligations, less current maturities	1,367	1,475
Accrued capping, closure and post-closure costs, less current maturities	22,752	21,338
Other long-term liabilities	13,148	11,705
COMMITMENTS AND CONTINGENCIES		
Series A redeemable, convertible preferred stock -		
Authorized - 55,750 shares, issued and outstanding - 55,750 and 53,750 as of April 30, 2004 and 2005, respectively, liquidation preference of $1,000 per share plus accrued but unpaid dividends	67,076	67,964
STOCKHOLDERS' EQUITY:		
Class A common stock -		
Authorized - 100,000,000 shares, $0.01 par value; issued and outstanding - 23,496,000 and 23,860,000 shares as of April 30, 2004 and 2005, respectively	235	239
Class B common stock -		
Authorized - 1,000,000 shares, $0.01 par value, 10 votes per share, issued and outstanding - 988,000 shares	10	10
Accumulated other comprehensive income	408	767
Additional paid-in capital	272,993	274,088
Accumulated deficit	(143,591)	(136,322)
Total stockholders' equity	130,055	138,782
	$ 670,932	$ 712,454

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Fiscal Year Ended April 30,		
	2003	2004	2005
Revenues	$ 419,518	$ 437,961	$ 481,964
Operating expenses:			
Cost of operations	277,579	285,828	310,921
General and administration	55,432	58,167	63,678
Depreciation and amortization	47,879	59,596	65,637
Impairment charge	4,864	1,663	—
Deferred costs	—	—	295
	385,754	405,254	440,531
Operating income	33,764	32,707	41,433
Other expense/(income), net:			
Interest income	(318)	(251)	(453)
Interest expense	26,354	25,500	29,844
Income from equity method investment	(2,073)	(2,261)	(2,883)
Loss on debt extinguishment	3,649	—	1,716
Minority interest	(152)	—	—
Other expense/(income)	(1,599)	5,949	273
Other expense, net	25,861	28,937	28,497
Income from continuing operations before income taxes, discontinued operations and cumulative effect of change in accounting principle	7,903	3,770	12,936
Provision (benefit) for income taxes	3,825	(1,622)	5,725
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	4,078	5,392	7,211
Discontinued Operations:			
Income (loss) from discontinued operations (net of income tax (provision) benefit of $12, $2, and ($96))	(20)	(10)	140
Loss on disposal of discontinued operations (net of income tax provision of ($692))	—	—	(82)
Reclassification from discontinued operations (net of income tax provision of ($34))	50	—	—
Cumulative effect of change in accounting principle (net of income tax (provision) benefit of $189 and ($1,856))	(63,916)	2,723	—
Net income (loss)	(59,808)	8,105	7,269
Preferred stock dividend	3,094	3,252	3,338
Net income (loss) available to common stockholders	$ (62,902)	$ 4,853	$ 3,931

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)
(in thousands, except for per share data)

	Fiscal Year Ended April 30,		
	2003	2004	2005
Earnings Per Share:			
Basic:			
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle available to common stockholders	$ 0.04	$ 0.09	$ 0.15
Income (loss) from discontinued operations, net	—	—	0.01
Loss on disposal of discontinued operations, net	—	—	—
Reclassification from discontinued operations, net	—	—	—
Cumulative effect of change in accounting principle, net	(2.69)	0.11	—
Net income (loss) per common share available to common stockholders	$ (2.65)	$ 0.20	$ 0.16
Basic weighted average common shares outstanding	23,716	24,002	24,679
Diluted:			
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle available to common stockholders	$ 0.04	$ 0.09	$ 0.15
Income (loss) from discontinued operations, net	—	—	0.01
Loss on disposal of discontinued operations, net	—	—	—
Reclassification from discontinued operations, net	—	—	—
Cumulative effect of change in accounting principle, net	(2.67)	0.11	—
Net income (loss) per common share available to common stockholders	$ (2.63)	$ 0.20	$ 0.16
Diluted weighted average common shares outstanding	23,904	24,445	25,193

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY
(In thousands)

	Stockholders' Equity			
	Class A Common Stock		Class B Common Stock	
	# of Shares	Par Value	# of Shares	Par Value
Balance, April 30, 2002	22,667	$ 227	988	$ 10
Issuance of Class A common stock from the exercise of stock warrants, options and employee stock purchase plan	102	1	—	—
Accrual of preferred stock dividend	—	—	—	—
Net loss	—	—	—	—
Change in fair value of interest rate swaps and commodity hedges, net of reclassification adjustments	—	—	—	—
Total comprehensive loss	—	—	—	—
Other	—	—	—	—
Balance, April 30, 2003	22,769	$ 228	988	$ 10
Issuance of Class A common stock from the exercise of stock warrants, options and employee stock purchase plan	727	$ 7	—	$ —
Accrual of preferred stock dividend	—	—	—	—
Net income	—	—	—	—
Change in fair value of interest rate swaps and commodity hedges, net of reclassification adjustments	—	—	—	—
Total comprehensive income	—	—	—	—
Other	—	—	—	—
Balance, April 30, 2004	23,496	$ 235	988	$ 10
Issuance of Class A common stock from the exercise of stock warrants, options and employee stock purchase plan	189	$ 2	—	$ —
Issuance of Class A common stock from the conversion of preferred stock	175	2	—	—
Accrual of preferred stock dividend	—	—	—	—
Net income	—	—	—	—
Change in fair value of interest rate swaps and commodity hedges, net of reclassification adjustments	—	—	—	—
Total comprehensive income	—	—	—	—
Other	—	—	—	—
Balance, April 30, 2005	23,860	$ 239	988	$ 10

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

	Additional Paid-In Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Total Comprehensive Income (Loss)
Balance, April 30, 2002	$ 272,697	$ (91,888)	$ (4,250)	$ 176,796	
Issuance of Class A common stock from the exercise of stock warrants, options and employee stock purchase plan	459	—	—	460	
Accrual of preferred stock dividend	(3,094)	—	—	(3,094)	
Net loss	—	(59,808)	—	(59,808)	$ (59,808)
Change in fair value of interest rate swaps and commodity hedges, net of reclassification adjustments	—	—	4,792	4,792	4,792
Total comprehensive loss	—	—	—	—	$ (55,016)
Other	6	—	—	6	
Balance, April 30, 2003	$ 270,068	$ (151,696)	$ 542	$ 119,152	
Issuance of Class A common stock from the exercise of stock warrants, options and employee stock purchase plan	$ 6,053	$ —	$ —	$ 6,060	
Accrual of preferred stock dividend	(3,252)	—	—	(3,252)	
Net income	—	8,105	—	8,105	$ 8,105
Change in fair value of interest rate swaps and commodity hedges, net of reclassification adjustments	—	—	(134)	(134)	(134)
Total comprehensive income	—	—	—	—	$ 7,971
Other	124	—	—	124	
Balance, April 30, 2004	$ 272,993	$ (143,591)	$ 408	$ 130,055	
Issuance of Class A common stock from the exercise of stock warrants, options and employee stock purchase plan	$ 1,992	$ —	$ —	$ 1,994	
Issuance of Class A common stock from the conversion of preferred stock	2,448	—	—	2,450	
Accrual of preferred stock dividend	(3,338)	—	—	(3,338)	
Net income	—	7,269	—	7,269	$ 7,269
Change in fair value of interest rate swaps and commodity hedges, net of reclassification adjustments	—	—	359	359	359
Total comprehensive income	—	—	—	—	$ 7,628
Other	(7)	—	—	(7)	
Balance, April 30, 2005	$ 274,088	$ (136,322)	$ 767	$ 138,782	

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended April 30,		
	2003	2004	2005
Cash Flows from Operating Activities:			
Net income (loss)	$ (59,808)	$ 8,105	$ 7,269
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	47,879	59,596	65,637
Depletion of landfill operating lease obligations	—	1,248	4,785
Loss on disposal of discontinued operations, net	—	—	82
Reclassification from discontinued operations, net	(50)	—	—
Cumulative effect of change in accounting principle, net	63,916	(2,723)	—
Income from equity method investment	(2,073)	(2,261)	(2,883)
Dividend from equity method investment	2,000	—	2,000
Impairment charge	4,864	1,663	—
Deferred costs	—	—	295
Loss on debt extinguishment	3,649	—	1,716
Loss from asset write down	—	8,018	—
Loss (gain) on sale of equipment	386	(308)	372
Gain on sale of assets	(684)	(1,144)	—
Minority interest	(152)	—	—
Deferred income taxes	6,052	(2,005)	5,132
Changes in assets and liabilities, net of effects of acquisitions and divestitures -			
Accounts receivable	(7,466)	(5,859)	(2,456)
Accounts payable	12,031	8,065	6,073
Other assets and liabilities	(3,592)	(2,497)	(4,988)
	126,760	61,793	75,765
Net Cash Provided by Operating Activities	66,952	69,898	83,034
Cash Flows from Investing Activities:			
Acquisitions, net of cash acquired	(18,068)	(31,947)	(9,513)
Additions to property, plant and equipment - growth	—	(10,271)	(24,723)
- maintenance	(41,925)	(48,064)	(55,341)
Payments on landfill operating lease contracts	—	(32,223)	(20,276)
Proceeds from divestitures	875	4,984	3,050
Proceeds from sale of equipment	1,212	506	2,292
Advances to unconsolidated entities	(5,302)	(7,332)	—
Proceeds from assets under contractual obligation	—	689	756
Net Cash Used In Investing Activities	(63,208)	(123,658)	(103,755)
Cash Flows from Financing Activities:			
Proceeds from long-term borrowings	380,521	195,303	318,900
Principal payments on long-term debt	(361,905)	(150,562)	(296,210)
Deferred financing costs	(11,466)	(2,632)	(3,051)
Proceeds from exercise of stock options	460	4,006	1,653
Net Cash Provided by Financing Activities	7,610	46,115	21,292
Net increase (decrease) in cash and cash equivalents	11,354	(7,645)	571
Cash and cash equivalents, beginning of period	4,298	15,652	8,007
Cash and cash equivalents, end of period	$ 15,652	$ 8,007	$ 8,578

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)

	Fiscal Year Ended April 30,		
	2003	2004	2005
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period for -			
Interest	$ 20,763	$ 23,313	$ 29,426
Income taxes, net of refunds	$ 54	$ 349	$ 1,103
Supplemental Disclosures of Non-Cash Investing and Financing Activities:			
Summary of entities acquired in purchase business combinations -			
Fair value of assets acquired	$ 27,756	$ 45,925	$ 10,398
Cash paid, net	(18,068)	(31,947)	(9,513)
Liabilities assumed and notes payable to seller	$ 9,688	$ 13,978	$ 885

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Casella Waste Systems, Inc. ("the Company" or "the Parent") together with its subsidiaries is a regional, integrated solid waste services company that provides collection, transfer, disposal and recycling services, primarily in the eastern United States. The Company markets recyclable metals, aluminum, plastics, paper and corrugated cardboard which have been processed at its facilities as well as recyclables purchased from third parties. The Company also generates and sells electricity under a long-term contract at a waste-to-energy facility, Maine Energy Recovery Company LP ("Maine Energy") (see Note 12).

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 and majority owned subsidiaries and complies with Financial Accounting Standards Board (FASB) Interpretation No. 46 (revised December 2003) (FIN 46). All significant intercompany accounts and transactions are eliminated in consolidation.

(b) Use of Estimates and Assumptions

The Company's preparation of its financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the consolidated financial statements. The estimates and assumptions will also affect the reported amounts of revenues and expenses during the reporting period. Summarized below are the estimates and assumptions that the Company considers to be significant in the preparation of its consolidated financial statements.

Landfill Accounting-Capitalized Costs and Amortization

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. Landfill preparation costs include the costs of construction associated with excavation, liners, site berms and the installation of leak detection and leachate collection systems. Interest is capitalized on landfill construction projects 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. Interest capitalized for the years ended April 30, 2003, 2004 and 2005 was $719, $356 and $492, respectively.

Under life-cycle accounting, all costs related to acquisition and construction of landfill sites are capitalized and charged to income based on tonnage placed into each site. In determining the amortization rate for these landfills, preparation costs include the total estimated costs to complete construction of the landfills' permitted and permittable capacity. To be considered permittable, airspace must meet all of the following criteria:

- we control the land on which the expansion is sought;
- all technical siting criteria have been met or a variance has been obtained or is reasonably expected to be obtained;
- we have not identified any legal or political impediments which we believe will not be resolved in our favor;
- we are actively working on obtaining any necessary permits and we expect that all required permits will be received within the next two to five years; and
- senior management has approved the project.

Units-of-consumption amortization rates are determined annually for each of the Company's operating landfills, and

such rates are based on estimates provided by its engineers and accounting personnel and consider the information provided by surveys, which are performed at least annually.

The Company routinely reviews its investment in operating landfills, transfer stations and other significant facilities to determine whether the carrying value of these investments is realizable. The Company's judgments regarding the existence of impairment indicators are based on regulatory factors, market conditions and operational performance of its landfills.

Landfill Accounting-Landfill Operating Lease Contracts

During fiscal 2004, the Company entered into three landfill operation and management agreements. These agreements are long-term landfill operating contracts with government bodies whereby the Company receives tipping revenue, pays normal operating expenses and assumes future capping, closure and post-closure liabilities. The government body retains ownership of the landfill. There is no bargain purchase option and title to the property does not pass to the Company at the end of the lease term. The Company allocates the consideration paid to the landfill airspace rights and underlying land lease based on the relative fair values.

In addition to up-front or one-time payments, the landfill operating agreements require the Company to make future minimum rental payments, including success/expansion fees, other direct costs and capping, closure, and post closure costs. The value of all future minimum lease payments are amortized and charged to cost of operations over the life of the contract. The Company amortizes the consideration allocated to airspace rights as airspace is utilized on a units-of-consumption basis and such amortization is charged to cost of operations as airspace is consumed i.e. as tons are placed into the landfill. The underlying value of the land lease is amortized to cost of operations on a straight-line basis over the estimated life of the operating agreement.

Landfill Accounting-Accrued Capping, Closure and Post-Closure Costs

Capping includes installation of liners, drainage, compacted soil layers and topsoil over areas of a landfill where total airspace has been consumed and waste is no longer being received. Capping activities occur throughout the life of the landfill. Our engineering personnel estimate the cost for each capping event based on the acreage to be capped and the capping materials and activities required. The estimates also consider when these costs would actually be paid and factor in inflation and discount rates. The engineers then quantify the landfill capacity associated with each capping event and the costs for each event are amortized over that capacity as waste is received at the landfill.

Closure and post-closure costs represent future estimated costs related to monitoring and maintenance of a solid waste landfill, after a landfill facility ceases to accept waste and closes. We estimate, based on input from our engineers, accounting personnel and consultants, our future cost requirements for closure and post-closure monitoring and maintenance based on our interpretation of the technical standards of the 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 post-closure accruals for the cost of monitoring and maintenance include site inspection, groundwater monitoring, leachate management, methane gas control and recovery, and operation and maintenance costs to be incurred for a period which is generally for a term of 30 years after final closure of a landfill. In determining estimated future capping, closure and post-closure costs, we consider costs associated with permitted and permittable airspace.

Our estimates of costs to discharge capping, closure and post-closure asset retirement obligations for landfills are developed in today's dollars. These costs are then inflated to the period of performance using an estimate of inflation which is updated annually (2.6% was used in both fiscal year 2004 and 2005). Capping, closure and post-closure liabilities are discounted using the credit adjusted risk-free rate in effect at the time the obligation is incurred (7.6% to 9.5%). Accretion expense is necessary to increase the accrued capping, closure and post-closure liabilities to the future anticipated obligation. To accomplish this, the Company accretes its capping, closure and post-closure accrual balances using the same credit-adjusted, risk-free rate that was used to calculate the recorded liability. Accretion expense on recorded landfill liabilities is recorded to cost of operations from the time the liability is recognized until the costs are paid. Accretion expense amounted to $1,870 and $2,201 in fiscal years 2004 and 2005, respectively.

The Company provides for the accrual and amortization of estimated future obligations for closure and post-closure based on tonnage placed into each site. With regards to capping, the liability is recognized and these costs are amortized based on the airspace related to the specific capping event.

Recovery of Long-Lived Assets

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the remaining estimated useful life of such assets might warrant revision or that the balances may not be recoverable. An impairment loss is recorded if the amount by which the carrying amount of the assets exceeds their fair value. Fair value is usually determined based on the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved.

Allowance for Doubtful Accounts

The Company estimates the allowance for bad debts based on historical collection experience, current trends, credit policy and a review of accounts receivable by aging category.

Self Insurance Reserves

The Company is self insured for vehicles and worker's compensation. . Our maximum exposure in fiscal 2005 under the worker's compensation plan is $750 per individual event with a $1,000 aggregate limit, after which reinsurance takes effect. Our maximum exposure under the automobile plan is $750 per individual event with a $3,000 aggregate limit, after which reinsurance takes effect. Through the use of actuarial calculations provided by a third party, the Company estimates the amounts required to settle insurance claims. The actuarially-determined liability is calculated in part by reference to past claims experience, which considers both the frequency and settlement of claims. The Company's self insurance reserves totaled $10,376 and $11,506 at April 30, 2004 and 2005, respectively.

Income Taxes

The Company uses estimates to determine its provision for income taxes and related assets and liabilities and any valuation allowance recorded against its net deferred tax assets. Valuation allowances have been established for the possibility that tax benefits may not be realized for certain deferred tax assets.

(c) Revenue Recognition

The Company recognizes collection, transfer, recycling and disposal 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.

Revenues from the sale of electricity to local utilities by the Company's waste-to-energy facility (see Note 12) are recorded at the contract rate specified by its power purchase agreement as the electricity is delivered.

Revenues from the sale of recycled materials are recognized upon shipment. Rebates to certain municipalities based on sales of recyclable materials are recorded upon the sale of such recyclables to third parties and are included as a reduction of revenues. Revenues for processing of recyclable materials are recognized when the related service is provided. Revenues from brokerage of recycled materials are recognized at the time of shipment.

(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 carrying values of these financial instruments approximate their respective fair values. See Note 11 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 original maturities of three months or less to be cash equivalents.

(f) Inventory

Inventory includes secondary fibers, recyclables ready for sale and supplies and is stated at the lower of cost (first-in, first-out) or market. Inventory consisted of finished goods and supplies of approximately $1,848 and $2,538 at April 30, 2004 and 2005, respectively.

(g) Investments

In accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, the Company classifies its investment in equity securities as "available for sale." Accordingly, the carrying value of the securities is adjusted to fair value through other comprehensive income.

For the periods ending April 30, 2003 and 2004, the Company wrote down to fair value certain equity security investments. The write downs amounted to $42 and $20, respectively, and were due to declines in the fair value which, in the opinion of management, were considered to be other than temporary. The write downs are included in other expense/(income) in the accompanying consolidated statements of operations.

(h) Property, Plant and Equipment

Property, plant and equipment are recorded 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 (See Note 6):

Asset Classification	Estimated Useful Life
Buildings and improvements	10-35 years
Machinery and equipment	2-15 years
Rolling stock	1-12 years
Containers	2-12 years

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

(i) Intangible Assets

Covenants not to compete and customer lists are amortized using the straight-line method over their estimated useful lives, typically no more than 10 years (See Note 7).

Under SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests at each fiscal year end. We evaluate goodwill for impairment based on fair value of each operating segment. We estimate fair value based on net future cash flows discounted using an estimated weighted average cost of capital. We recognize an impairment if the net book value exceeds the fair value of the discounted future cash flows. Other intangible assets will continue to be amortized over their useful lives.

(j) Investments in Unconsolidated Entities

The Company entered into an agreement in July 2000 with Louisiana-Pacific to combine their respective cellulose insulation businesses into a single operating entity, US GreenFiber LLC ("GreenFiber") under a joint venture agreement effective August 1, 2000. The Company's investment in GreenFiber amounted to $27,256 and $27,040 at April 30, 2004 and 2005, respectively. The Company accounts for its 50% ownership in GreenFiber under the equity method of accounting. GreenFiber is deemed to be a significant subsidiary in accordance with Rule 3-09 of Regulation S-X Therefore, separate financial statements of GreenFiber are included as an exhibit to this Form 10-K.

Summarized financial information of GreenFiber is as follows:

	April 30, 2004	April 30, 2005
Current assets	$ 25,284	$ 25,281
Noncurrent assets	$ 38,728	$ 40,984
Current liabilities	$ 9,532	$ 11,176
Noncurrent liabilities	$ 113	$ 957

	Fiscal Year Ended April 30,		
	2003	2004	2005
Revenue	$ 98,589	$ 116,057	$ 136,409
Gross Profit	$ 21,075	$ 25,421	$ 28,289
Net Income	$ 4,146	$ 4,523	$ 5,767

A portion of the Company's 50% interest in its New Heights joint venture was sold in September 2001 for consideration of $250. As a result of this sale, the Company retained an interest of 9.95% in the tire assets of New Heights, as well as all of its financial obligations related solely to the New Heights power plant. The Company's investment in the power plant assets of New Heights amounted to $2,586 at April 30, 2003, and increased to $4,938 during fiscal 2004. On April 29, 2004 New Heights filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy code. New Heights took this action to reorganize its debts pending the outcome of an appeal filed with the Illinois Supreme Court for reconsideration of the previously announced Appellate Court decision which ruled against New Heights in its claim to receive a retail payment rate for electricity generated at the facility, or to liquidate in the event the Illinois Supreme Court decided not to hear the appeal. The investment in New Heights accordingly was written off as of April 30, 2004.

The company sold 80.1% of the equity of Recovery Technologies Group, Inc. ("RTG") in September 2001 as part of the sale of its tire processing business. The Company retained a 19.9% indirect interest in the RTG tire collection and processing business which was valued at $3,080 at April 30, 2003. On April 22, 2004, the Company transferred its 19.9% indirect interest in RTG, as a result of a purchase option exercised by the purchasers of the original 80.1% interest, at no cost according to a previously agreed formula. Therefore the Company recorded a charge against operations to reduce the balance in the investment to zero at April 30, 2004.

Both the charges described above were recorded in other expense in fiscal year 2004 for a total charge of $8,018.

On October 6, 2004, the Illinois Supreme Court decided not to hear the appeal. On October 25, 2004, the Bankruptcy Judge confirmed the Liquidation Plan and the assets were sold to a third party on March 15, 2005. In fiscal 2005, the Company recorded in other expense/(income) costs of $667 related to debtor in possession financing offset by income of $117 upon liquidation.

The Company had received a promissory note and other consideration from Oakhurst Company, Inc. ("OCI") in connection with the Company's acquisition of OCI's 37.5% interest in New Heights on July 3, 2001. The Company estimated the realizable value at $0. The Company reached a settlement with OCI in April, 2003 and received $1,220 which is included in other expense/(income) in fiscal 2003.

In April 2003, the Company acquired a 9.9% interest in Evergreen National Indemnity Company ("Evergreen") for total consideration of $5,329. In December, 2003, the Company acquired an additional 9.9% interest in Evergreen for total consideration of $5,306. The Company's investment in Evergreen amounted to $10,657 at April 30, 2004 and 2005. The Company accounts for its investment in Evergreen under the cost method of accounting.

(k) 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 currently enacted tax rates.

(l) Accrued Capping, Closure and Post-Closure Costs

Accrued capping, closure and post-closure costs include the current and non-current portion of accruals associated with obligations for capping, closure and post-closure of the Company's operating and closed landfills. The Company, based on input from its engineers, accounting personnel and consultants, estimates its future cost requirements for capping, closure and post-closure 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. Capping, closure and post-closure 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 capping, closure and post-closure monitoring and maintenance requirements 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 capping, closure and post-closure monitoring and maintenance for the Company's operating landfills by the Company's engineers, accounting personnel and consultants 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 prospectively. The Company provides accruals for these estimated costs as the remaining permitted airspace of such facilities is consumed.

The Company operates in states which require a certain portion of landfill capping, closure and post-closure obligations to be secured by financial assurance, which may take the form of restricted cash, surety bonds and letters of credit. Surety bonds securing closure and post-closure obligations at April 30, 2004 and 2005 totaled $34,550 and $49,157 respectively.

(m) Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in net assets of a business enterprise during a period from transactions generated from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Accumulated other comprehensive income included in the accompanying balance sheets consists of changes in the fair value of the Company's interest rate swap and commodity hedge agreements as well as the cumulative effect of the change in accounting principle due to the adoption of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (See Note 1(p)).

(n) Earnings per Share

Basic earnings per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is based on the combined weighted average number of common shares and potentially dilutive shares, which include, where appropriate, the assumed exercise of employee stock options and the conversion of convertible preferred stock. In computing diluted earnings per share, the Company utilizes the treasury stock method with regard to employee stock options and the "if converted" method with regard to its convertible preferred stock.

(o) Stock Based Compensation Plans

The Company has elected to account for its stock-based compensation plans under APB Opinion No. 25, *Accounting for Stock Issued to Employees*, for which no compensation expense is recorded in the statements of operations for the estimated fair value of stock options issued with an exercise price equal to the fair value of the underlying common stock on the grant date.

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. In addition, the Company has adopted the disclosure requirements of SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure.*

In accordance with SFAS No. 123 and SFAS No. 148, the Company has computed, for pro forma disclosure purposes, the value of all options granted during the fiscal years ended April 30, 2003, 2004 and 2005 using the Black-Scholes option pricing model as prescribed by SFAS No. 123, using the following weighted average assumptions for grants in the fiscal years ended April 30, 2003, 2004 and 2005.

	Fiscal Year Ended April 30,		
	2003	2004	2005
Risk free interest rate	2.57%-4.50%	2.34%-3.39%	3.39%-3.97%
Expected dividend yield	N/A	N/A	N/A
Expected life	5 Years	5 Years	5 Years
Expected volatility	65.00%	45.88%	40.35%

The total value of options granted during the years ended April 30, 2003, 2004 and 2005 would be amortized on a pro forma basis over the vesting period of the options. Options generally vest over a one to three year period. If the Company had accounted for these plans in accordance with SFAS No. 123, the Company's net income (loss) and net income (loss) per share would have changed as reflected in the following pro forma amounts:

	Fiscal Year Ended April 30,		
	2003	2004	2005
Net income (loss) available to common stockholders, as reported	$ (62,902)	$ 4,853	$ 3,931
Deduct: Total stock-based compensation expense determined under fair value based method, net	(1,507)	(1,145)	(1,616)
Pro forma, net income (loss) available to common stockholders	$ (64,409)	$ 3,708	$ 2,315
Basic income (loss) per common share:			
As reported	$ (2.65)	$ 0.20	$ 0.16
Pro forma	$ (2.72)	$ 0.16	$ 0.09
Diluted income (loss) per common share:			
As reported	$ (2.63)	$ 0.20	$ 0.16
Pro forma	$ (2.70)	$ 0.15	$ 0.09

(p) Accounting for Derivatives and Hedging Activities

The Company accounts for derivatives and hedging activities in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* SFAS No.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. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company's objective for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the variable interest rates under its credit facility and changes in the commodity prices of recycled paper.

The Company's strategy to hedge against fluctuations in variable interest rates involves entering into interest rate swaps that are specifically designated to existing interest payments under the credit facility and accounted for as cash flow hedges pursuant to SFAS No. 133.

At April 30, 2004 the Company had two interest rate swaps outstanding, expiring in February, 2006, with an aggregate notional amount of $53,000. The Company evaluated these swaps and determined that these instruments qualified for hedge accounting pursuant to SFAS No. 133. The fair value of these swaps was an obligation of $118, with the net amount (net of taxes of $48) recorded as an unrealized loss in other comprehensive income at April 30, 2004. These interest rate swaps were terminated on April 28, 2005 with the Company receiving net proceeds of $443, which remains in other comprehensive income, and will be amortized against interest expense over the remaining original term of the swap contracts.

On May 9, 2005, the Company entered into three separate interest rate swap agreements with three banks for a notional amount of $75,000. The contracts are forward starting contracts that will effectively fix the interest index rate on the entire notional amount at 4.4% from May 4, 2006 through May 5, 2008. These agreements will be specifically designated to interest payments under the revolving credit facility and will be accounted for as effective cash flow hedges pursuant to SFAS No. 133.

The Company's strategy to hedge against fluctuations in the commodity prices of recycled paper is to enter into hedges to mitigate the variability in cash flows generated from the sales of recycled paper at floating prices, resulting in a fixed price being received from these sales. The Company has entered into thirty-three commodity hedges, which expire at

various times between May 2005 and April 2008. The Company has evaluated these hedges and believes that these instruments qualify for hedge accounting pursuant to SFAS No. 133. The fair value of these hedges was an obligation of $2,423 and $1,488, with the net amount (net of taxes of $969 and $592) recorded as an unrealized loss in accumulated other comprehensive income at April 30, 2004 and 2005, respectively.

(q) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. Concentration of credit risk with respect to accounts receivable is limited because a large number of geographically diverse customers comprise the Company's customer base, thus spreading the trade credit risk. For the years ended April 30, 2004 and 2005, no single group or customer represents greater than 3.4% of total accounts receivable. The Company controls credit risk through credit evaluations, credit limits, credit insurance and monitoring procedures. The Company performs credit evaluations for commercial and industrial customers and performs ongoing credit evaluations of its customers, but generally does not require collateral to support accounts receivable. Credit risk related to derivative instruments results from the fact the Company enters into interest rate and commodity price swap agreements with various counterparties. However, the Company monitors its derivative positions by regularly evaluating positions and the credit worthiness of the counterparties.

2. RECLASSIFICATIONS

Certain reclassifications have been made to the prior period consolidated financial statements to conform to the current presentation.

3. NEW ACCOUNTING STANDARDS

In July 2001, the FASB issued SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets*. These new standards significantly modified the accounting rules related to accounting for business acquisitions, amortization of intangible assets and the method of accounting for impairments of existing goodwill. The effective date for SFAS No. 142 was fiscal years beginning after December 15, 2001.

SFAS No. 142, among other things, eliminates the amortization of goodwill and requires an annual assessment of goodwill impairment by applying a fair value based test. SFAS No. 142 requires that any goodwill recorded in connection with an acquisition consummated on or after July 1, 2001 not be amortized. The Company performed an impairment test as of May 1, 2002 and goodwill was determined to be impaired and the amount of $63,916 (net of tax benefit of $189) was charged to earnings as a cumulative effect of a change in accounting principle. The goodwill impairment is associated with certain of the assets acquired by the Company in connection with its acquisition of KTI. Remaining goodwill will be tested for impairment on an annual basis and further impairment charges may result. In accordance with the non-amortization provisions of SFAS No. 142, remaining goodwill will not be amortized going forward. The following schedule reflects net income (loss) and earnings (loss) per share for the year ended April 30, 2003 adjusted to exclude impairment charges.

	Fiscal Year Ended April 30, 2003
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	$ 4,078
Discontinued Operations:	
Loss from discontinued operations, net	(20)
Reclassification from discontinued operations, net	50
Cumulative effect of change in accounting principle, net	(63,916)
Reported net loss	(59,808)
Add:	
Goodwill impairment charge (net of income taxes of $189)	63,916
Adjusted net income	4,108
Less:	
Preferred stock dividends	3,094
Adjusted net income available to common stockholders	$ 1,014
Earnings per common share:	
Basic earnings per common share:	
Reported net loss available to common stockholders	$ (2.65)
Goodwill impairment charge, net	2.69
Goodwill amortization, net	—
Adjusted basic earnings per share available to common stockholders	$ 0.04
Diluted earnings per common share:	
Reported net loss available to common stockholders	$ (2.63)
Goodwill impairment charge, net	2.67
Adjusted diluted earnings per share available to common stockholders	$ 0.04

Effective May 1, 2003, the Company adopted SFAS No. 143, *Accounting for Asset Retirement Obligations*. Through April 30, 2003 we recognized expenses associated with (i) amortization of capitalized and future landfill asset costs and (ii) future closure and post-closure obligations on a units-of-consumption basis as airspace was consumed over the life of the related landfill. This practice, referred to as life-cycle accounting within the waste industry, continues to be followed, with the exception of future landfill capping costs. As a result of the adoption of SFAS No. 143, future capping costs are identified by specific capping event and amortized over the specific estimated capacity related to that event rather than over the life of the entire landfill, as was the practice prior to our adoption of SFAS No. 143.

The primary modification to the Company's methodology required by SFAS No. 143 is to require that capping, closure and post-closure costs be discounted to present value. The Company's estimates of future capping, closure and post-closure costs historically have not taken into account discounts for the present value of costs to be paid in the future. Under SFAS No. 143, the Company's estimates of costs to discharge asset retirement obligations for landfills are developed in today's dollars. These costs were then inflated by 2.6% to reflect a normal escalation of prices up to the year they are expected to be paid. These estimated costs were then discounted to their present value using a credit adjusted risk-free rate of 9.5%.

Under SFAS No. 143, except for accretion expense, the Company no longer accrues landfill retirement obligations through a charge to cost of operations, but rather by an increase to landfill assets. Under SFAS No. 143, the amortizable landfill assets include not only the landfill development costs incurred but also the recorded capping, closure and post-closure liabilities as well as the cost estimates for future capping, closure and post-closure costs. The landfill asset is amortized over the total capacity of the landfill, as airspace is consumed during the life of the landfill with one exception. The exception is for capping for which both the recognition of the liability and the amortization of these costs are based instead on the airspace consumed for the specific capping event.

Upon adoption, SFAS No. 143 required a cumulative change in accounting for landfill obligations retroactive to the date of the inception of the landfill. Inception of the asset retirement obligation is the date operations commenced or the date the asset was acquired. To do this, SFAS No. 143 required the creation of the related landfill asset, net of accumulated amortization and an adjustment to the capping, closure and post-closure liability for cumulative accretion.

At May 1, 2003, the Company recorded a cumulative effect of change in accounting principle of $2,723 (net of taxes of $1,856). In addition we recorded a decrease in our capping, closure and post-closure obligations of $7,855, and a decrease in our net landfill assets of $3,228. The following is a summary of the balance sheet changes for landfill assets and capping, closure and post-closure liabilities at May 1, 2003:

	Balance at April 30, 2003	Change	Balance at May 1, 2003
Landfill assets	$ 148,029	$ 6,166	$ 154,195
Accumulated amortization	(63,207)	(9,394)	(72,601)
Net landfill assets	$ 84,822	$ (3,228)	$ 81,594
Capping, closure, and post-closure liabilities	$ 25,949	$ (7,855)	$ 18,094

The pro forma effects of the application of SFAS 143 as if the statement had been adopted on May 1, 2002, rather than May 1, 2003, using May 1, 2003 costs, assumptions and interest rates are presented below:

	Fiscal Year Ended April 30, 2003
Net (loss) income available to common stockholders, as reported	$ (62,902)
Reversal of closure and post-closure expense, net of tax	(4,331)
Amortization expense, net of tax	1,526
Accretion expense, net of tax	764
Pro forma net (loss) income	$ (60,861)
Reported net (loss) income per common share	$ (2.63)
Pro forma net (loss) income per common share	$ (2.55)

The pro forma asset retirement obligation liability balances as if SFAS 143 had been adopted on May 1, 2002, rather than May 1, 2003, are as follows:

	April 30, 2003
Accrued capping, closure and post-closure costs, as reported	$ 25,949
Pro forma accrued capping, closure and post-closure costs	$ 18,094

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003) *Consolidation of Variable Interest Entities* ("FIN 46R"). FIN 46R requires unconsolidated variable interest entities to be consolidated by their primary beneficiaries. FIN 46R was effective for periods ending after December 15, 2003 for public companies. As of April 30, 2004 and 2005, the Company had no material variable interest entities requiring consolidation under FIN 46R.

In December 2004, the FASB issued SFAS 123R, *Share-Based Payment*. SFAS 123R replaces SFAS 123 and supersedes APB Opinion No. 25 requiring public companies to recognize compensation expense for the cost of awards of equity instruments. This compensation cost will be measured as the fair value of the award on the grant date estimated using an option-pricing model. SFAS 123R was originally issued with implementation required for interim and annual periods beginning after June 15, 2005. On April 14, 2005, the Securities and Exchange Commission ("SEC") amended the effective date to the beginning of the first fiscal year after June 15, 2005. The Company is evaluating the various transition provisions under SFAS 123R and will adopt SFAS 123R effective May 1, 2006, which is expected to result in increased compensation expense in future periods.

4. BUSINESS COMBINATIONS

On December 14, 1999, the Company consummated its acquisition of KTI, a publicly traded solid waste handling company. KTI specialized in solid waste disposal and recycling, and operated manufacturing facilities utilizing recycled materials. All of KTI's common stock was acquired in exchange for 7,152 shares of Class A Common Stock.

In addition to the above, the Company also acquired eight, eleven and ten solid waste hauling, landfill disposal or material recycling operations in fiscal years ended April 30, 2003, 2004 and 2005, respectively, in transactions accounted for as purchases. Accordingly, the operating results of these businesses are included in the accompanying consolidated statements of operations from the dates of acquisition, and 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 purchase prices allocated to those net assets acquired were as follows:

	April 30,	
	2004	2005
Current assets	$ 217	$ 1
Property, plant and equipment	39,092	4,624
Goodwill	4,653	5,165
Intangible assets	1,963	608
Current liabilities	(7,653)	(226)
Other non-current liabilities	(5,722)	—
Total consideration	$ 32,550	$ 10,172

The following unaudited pro forma combined information shows the results of the Company's operations for the

fiscal years ended April 30, 2004 and 2005 as though each of the acquisitions completed in the fiscal years ended April 30, 2004 and 2005 had occurred as of May 1, 2003.

	Fiscal Year Ended April 30,	
	2004	2005
Revenues	$ 450,789	$ 484,952
Operating income	$ 31,931	$ 41,849
Net income	$ 6,882	$ 7,414
Diluted pro forma net income per common share	$ 0.28	$ 0.29
Weighted average diluted shares outstanding	24,445	25,193

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 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.

5. RESTRICTED CASH

Restricted cash consists of cash held in trust on deposit with various banks as collateral for the Company's financial obligations relative to its self insurance claims liability as well as landfill capping, closure and post-closure costs and other facilities' closure costs. Cash is also restricted by specific agreement for facilities' maintenance and other purposes.

A summary of restricted cash is as follows:

	April 30,	
	2004	2005
Current:		
Insurance	$ 8	$ —
Landfill closure	70	70
Facility maintenance and operations	51	—
Total	$ 129	$ 70

	April 30,	
	2004	2005
Non Current:		
Insurance	$ 12,290	$ 12,124
Total	$ 12,290	$ 12,124

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at April 30, 2004 and 2005 consist of the following:

	April 30,	
	2004	2005
Land	$ 16,449	$ 18,413
Landfills	206,460	244,084
Landfill operating lease contracts	30,512	50,789
Buildings and improvements	60,177	72,128
Machinery and equipment	172,085	181,510
Rolling stock	108,236	119,838
Containers	46,138	50,894
	640,057	737,656
Less: accumulated depreciation and amortization	268,019	324,903
	$ 372,038	$ 412,753

Depreciation expense for the fiscal years ended April 30, 2003, 2004 and 2005 was $32,991, $35,334 and $36,570, respectively. Landfill amortization expense for the fiscal years ended April 30, 2003, 2004 and 2005 was $13,257, $22,689 and $27,588, respectively. Depletion expense on landfill operating lease contracts for the fiscal years ended April 30, 2004 and 2005 was $1,248 and $4,785, respectively.

7. INTANGIBLE ASSETS

Intangible assets at April 30, 2004 and 2005 consist of the following:

	Covenants not to compete	Customer lists	Total
April 30, 2004			
Intangible assets	$ 16,402	$ 688	$ 17,090
Less accumulated amortization	(12,995)	(517)	(13,512)
	$ 3,407	$ 171	$ 3,578
April 30, 2005			
Intangible assets	$ 16,299	$ 688	$ 16,987
Less accumulated amortization	(13,670)	(606)	(14,276)
	$ 2,629	$ 82	$ 2,711

The following table shows the activity and balances related to goodwill from April 30, 2003 through April 30, 2005:

	Balance April 30, 2003	Acquisitions	Divestitures	Other (1)	Balance April 30, 2004
North Eastern region	$ 26,617	$ —	$ —	$ (847)	$ 25,770
South Eastern region	30,117	383	—	(10)	30,490
Central region	25,485	3,199	—	—	28,684
Western region	49,847	1,071	—	—	50,918
FCR Recycling	27,616	—	—	(6,248)	21,368
Other	—	—	—	—	—
Total	$ 159,682	$ 4,653	$ —	$ (7,105)	$ 157,230

	Balance April 30, 2004	Acquisitions	Divestitures	Other (1)	Balance April 30, 2005
North Eastern region	$ 25,770	$ —	$ —	$ (430)	$ 25,340
South Eastern region	30,490	1,156	—	(1)	31,645
Central region	28,684	1,477	—	(3)	30,158
Western region	50,918	2,532	—	—	53,450
FCR Recycling	21,368	—	(1,821)	(2,648)	16,899
Other	—	—	—	—	—
Total	$ 157,230	$ 5,165	$ (1,821)	$ (3,082)	$ 157,492

(1) Consists primarily of a decrease in Federal and state tax valuation allowances related to goodwill acquired as part of

the KTI acquisition.

Intangible amortization expense for the fiscal years ended April 30, 2003, 2004 and 2005 was $1,631, $1,572 and $1,478, respectively. The intangible amortization expense estimated as of April 30, 2005, for the five fiscal years following the fiscal year ended April 30, 2005 is as follows:

Fiscal Year Ended April 30,				
2006	2007	2008	2009	2010
$ 1,205	$ 663	$ 390	$ 210	$ 97

8. NET ASSETS UNDER CONTRACTUAL OBLIGATION

Effective September 30, 2002, the Company transferred its export brokerage operations to former employees, who had been responsible for managing that business. Consideration for the transaction was in the form of two notes receivable, amounting to $5,460. These notes were payable within five years of the anniversary date of the transaction to the extent of free cash flow generated from the operations.

Effective June 30, 2003, the Company entered into a similar transaction transferring its domestic brokerage operations as well as a commercial recycling business to former employees who had been responsible for managing those businesses. Consideration for the transaction was in the form of two notes receivable amounting up to $6,925. These notes are payable within twelve years of the anniversary date of the transaction to the extent of free cash flow generated from the operations.

The Company did not initially account for either of these transactions as a sale based on an assessment that the risks and other incidents of ownership had not sufficiently transferred to the buyer. Effective April 1, 2004, the notes from the buyer of the export brokerage operations were paid in full and accordingly the Company was able to account for the transfer of the export brokerage operations as a sale, for total consideration of $4,984. The gain on the sale amounted to $1,144 and is included in other income for fiscal year 2004.

The net assets of the domestic brokerage operations are disclosed in the balance sheet as “net assets under contractual obligation” and are being reduced as payments are made; they amounted to $2,148 and $1,392 at April 30, 2004 and 2005, respectively.

9. ACCRUED CAPPING, CLOSURE AND POST CLOSURE

Accrued capping, closure and post-closure costs include the current and non-current portion of costs associated with obligations for closure and post-closure of our landfills. We estimate our future capping, closure and post-closure costs in order to determine the capping, closure and post-closure expense per ton of waste placed into each landfill as further described in Note 1(l) to the consolidated financial statements. The anticipated timeframe for paying these costs varies based on the remaining useful life of each landfill, as well as the duration of the post-closure monitoring period. The changes to accrued capping, closure and post-closure liabilities are as follows:

	April 30,		
	2003	2004	2005
Balance, May, 1	$ 24,772	$ 25,949	$ 25,223
Cumulative effect of change in accounting principle (1)	—	(7,855)	—
Capping, closure, and post-closure liability, adjusted	24,772	18,094	25,223
Obligations incurred	8,400	4,556	4,774
Revisions in estimates	—	(1,371)	(2,795)
Accretion expense	—	1,871	2,201
Payments (2)	(9,164)	(2,707)	(6,068)
Acquisitions and other adjustments (3)	1,941	4,780	3,293
Balance, April, 30	$ 25,949	$ 25,223	$ 26,628

(1) Upon adoption of SFAS No. 143, on May 1, 2003, we recorded a cumulative effect of change in accounting principle of $2,723 (net of taxes of $1,856). In addition we recorded a decrease in our capping, closure and post-closure

obligations of $7,855, and a decrease in our net landfill assets of $3,228. For additional information and analyses of the impact that adopting SFAS No. 143 had on our balance sheet and our results of operations for the year ended April 30, 2005, see Note 3.

(2) Spending levels increased in fiscal year 2003 mainly due to closure activities at our Woburn, Massachusetts and Pine Tree, Maine landfills. Spending levels increased in fiscal year 2005 mainly due to closure activities at our Southbridge, Massachusetts landfill.

(3) In fiscal year 2003, we recorded closure and post closure accruals relating to the Hardwick landfill acquisition. The increase in fiscal 2004 is as a result of capping, closure and post closure accruals relating to the acquisition of the Southbridge, Massachusetts landfill operating contract.

10. OTHER ACCRUED LIABILITIES

Other accrued liabilities at April 30, 2004 and 2005 consist of the following:

	April 30,	
	2004	2005
Self insurance reserve	$ 8,962	$ 9,760
Other accrued liabilities	16,311	14,759
Total other accrued liabilities	$ 25,273	$ 24,519

11. LONG-TERM DEBT

Long-term debt as of April 30, 2004 and 2005 consists of the following:

	April 30, 2004	April 30, 2005
Senior subordinated notes, due February 1, 2013, 9.75%, interest payable semiannually, unsecured and unconditionally guaranteed (including unamortized premium of $5,947 and $5,460)	$ 200,957	$ 200,460
Senior secured term loan (the "term loan") due January 24, 2010, bearing interest at LIBOR plus 2.75% with principal payments of $1,500 per year, beginning in fiscal 2005 with the remaining principal balance due at maturity	148,500	—
Senior secured revolving credit facility (the "new revolver"), which provides for advances or letters of credit of up to $350,000, due April 28, 2010, bearing interest at LIBOR plus 2.00%, (approximately 5.22% at April 30, 2005 based on three month LIBOR). This loan is secured by substantially all of the assets of the Company	—	177,300
Notes payable in connection with businesses acquired, bearing interest at rates of 0% - 12.5%, due in monthly, quarterly or annual installments varying to $43, expiring November 2004 through May 2009	2,958	957
Notes payable in connection with businesses acquired, bearing interest at 0%, discounted at 4.74% to 5.5%, due in monthly and annual installments varying to $1,000 through April 2005	2,290	—
	354,705	378,717
Less - current maturities	5,542	281
	$ 349,163	$ 378,436

On January 24, 2003, the Company issued $150,000 of 9.75% senior subordinated notes (the "notes"), due 2013. The senior subordinated note agreement contains covenants that restrict dividends, stock repurchases and other payments, and limits the incurrence of debt and issuance of preferred stock. The notes are guaranteed jointly and severally, fully and unconditionally by the Company and its significant subsidiaries.

On February 2, 2004, the Company issued an additional $45,000 of 9.75% senior subordinated notes due 2013. Proceeds from the issuance were used to repay outstanding indebtedness under the Company's revolving credit facility, to pay transaction costs related to the offering and for general corporate purposes, including acquisitions. The notes were issued at a premium of $6,075, which will be amortized over the life of the notes. Premium amortization of $118 and $497 was

recorded to interest expense in fiscal 2004 and 2005, respectively, using the effective interest rate method. The unamortized premium was $5,957 and $5,460 at April 30, 2004 and 2005, respectively.

On April 29, 2005, the Company entered into a new senior credit facility with a group of banks for which Bank of America is acting as agent. The new facility consists of a senior secured revolving credit facility in the amount of $350,000. Under certain circumstances the Company has the option of increasing the credit facility by an additional $100,000 provided that the Company is not in default at the time of the increase, and subject to the receipt of commitments from lenders for such additional amount. This credit facility is secured by all of the Company's assets, including our interest in the equity securities of the Company's subsidiaries. The revolving credit facility matures April 2010. The initial borrowings under the credit facility were used to repay all outstanding indebtedness under the term loan and the old revolver. The former senior credit facility consisted of a $175,000 senior secured revolving credit facility and a senior secured term "B" loan, which had an outstanding balance of $148,500 million at April 30, 2004. Further advances were available under the old revolver and new revolver in the amount of $142,061 and $140,413 as of April 30, 2004 and 2005, respectively. These available amounts are net of outstanding irrevocable letters of credit totaling $32,939 and $32,287 as of April 30, 2004 and 2005. Unused letters of credit amounted to $47,061and $140,413 at April 30, 2004 and 2005, respectively. As of April 30, 2004 and 2005 no amounts had been drawn under the outstanding letters of credit.

The new senior revolving credit facility agreement contains covenants that may limit the Company's activities including covenants that forbid the payment of dividends on common stock. As of April 30, 2005, these covenants restricted capital expenditures to $1.75X depreciation and landfill amortization, set a minimum net worth requirement of $151,699, a minimum interest coverage ratio of 2.75, a maximum consolidated total funded debt to consolidated EBITDA ratio of 4.75 and a maximum senior funded debt to consolidated EBITDA ratio of 3.00. As of April 30, 2005, the company was in compliance with all covenants.

The Company recorded a loss on extinguishment of debt of $1,716 in fiscal 2005 as a result of the write-off of deferred financing costs related to the former credit facility. The Company recorded a loss on debt extinguishment of $3,649 in fiscal year 2003 as a result of the write-off of deferred financing costs related to renegotiating the Company's then existing credit facility in fiscal year 2003.

The Company has historically entered into interest rate swap agreements to balance fixed and floating rate debt interest risk in accordance with management's criteria. The agreements are contracts to exchange fixed and floating interest rate payments periodically over a specified term without the exchange of the underlying notional amounts. The agreements provide only for the exchange of interest on the notional amounts at the stated rates, with no multipliers or leverage. Differences paid or received over the life of the agreements are recorded in the consolidated financial statements as additions to or reductions of interest expense on the underlying debt.

The Company terminated five interest rate swaps in January, 2003 concurrent with the issuance of the notes and entering into its then current senior credit facilities. These derivatives were accounted for as cash flow hedges pursuant to SFAS 133 and were designated to interest payments under the previous credit facility. The early termination costs associated with the unwind of these swaps amounted to $1,296 which is included in other expense/(income), net in the consolidated statements of operations for fiscal year 2003.

At April 30, 2004 the Company had two interest rate swaps outstanding, expiring in February 2006, with an aggregate notional amount of $53,000. The Company evaluated these swaps and determined that these instruments qualified for hedge accounting pursuant to SFAS No. 133. The fair value of these swaps was an obligation of $118, with the net amount (net of taxes of $48) recorded as an unrealized loss in other comprehensive income at April 30, 2004. These interest rate swaps were terminated on April 28, 2005 concurrent with the Company entering into the new senior credit facility. The Company received net proceeds of $443, which remains in other comprehensive income, and will be amortized against interest expense over the remaining original term of the swap contracts.

On May 9, 2005, the Company entered into three separate interest rate swap agreements with three banks for a notional amount of $75,000. The contracts are forward starting contracts that will effectively fix the interest index rate on the entire notional amount at 4.4% from May 4, 2006 through May 5, 2008. These agreements will be specifically designated to interest payments under the revolving credit facility and will be accounted for as effective cash flow hedges pursuant to SFAS No. 133.

As of April 30, 2005, debt matures as follows:

Fiscal Year Ended April 30,	
2006	$ 281
2007	415
2008	121
2009	105
2010	177,335
Thereafter (1)	200,460
	$ 378,717

(1) Includes unamortized premium of $5,460.

12. 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, 2005:

	Operating Leases	Capital Leases
Fiscal Year Ended April 30,		
2006	$ 8,976	$ 774
2007	8,589	769
2008	8,020	765
2009	7,194	82
2010	6,786	—
Thereafter	122,814	—
Total minimum lease payments	$ 162,379	2,390
Less-amount representing interest		283
		2,107
Less-current maturities of capital lease obligations		632
Present value of minimum lease payments		$ 1,475

The Company leases real estate, compactors 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, 2004 and 2005. The Company leases operating facilities and equipment under operating leases with monthly payments varying to $50. Total rent expense under operating leases charged to operations was $4,955, $4,970 and $4,882 in fiscal years ended April 30, 2003, 2004 and 2005, respectively.

During fiscal 2004, the Company entered into three landfill operation and management agreements. These agreements are long-term landfill operating contracts with government bodies whereby the Company receives tipping revenue, pays normal operating expenses and assumes future capping, closure and post-closure liabilities. The government body retains ownership of the landfill. There is no bargain purchase option and title to the property does not pass to the Company at the end of the lease term. The Company allocated the consideration paid to the landfill airspace rights and underlying land lease based on the relative fair values.

In addition to up-front or one-time payments, the landfill operating agreements require the Company to make future minimum rental payments, including success/expansion fees, other direct costs and capping, closure, and post closure costs. The value of all future probable lease payments are amortized and charged to cost of operations over the life of the contract. The Company amortizes the consideration allocated to airspace rights as airspace is utilized on a units-of-consumption basis and such amortization is charged to cost of operations as airspace is consumed i.e. as tons are placed into the landfill. The underlying value of the land lease is amortized to cost of operations on a straight-line basis over the estimated life of the operating agreement. Depletion of landfill operating lease contracts charged to operations was $1,248 and $4,785 in fiscal years ended April 30, 2004 and 2005, respectively.

(b) Investment in Waste-to-Energy Facilities

The Company owns a 100% interest in Maine Energy, which utilizes non-hazardous solid waste as the fuel for the generation of electricity. Maine Energy sells the electricity it produces to Central Maine Power ("Central Maine") pursuant to a long-term power purchase agreement. Under this agreement, Maine Energy has agreed to sell energy to Central Maine through May 31, 2007 at an initial rate of 7.18 cents (determined in 1996) per kilowatt-hour ("kWh"), which escalates annually by 2% (8.96 cents per kWh as of April 30, 2005). From June 1, 2007 until December 31, 2012, Maine Energy is to be paid the then current market value for both its energy and capacity by Central Maine.

If, in any year, Maine Energy fails to produce 100,000,000 kWh of electricity and Maine Energy does not have a force majeure defense, such as physical damage to the plant or other similar events, Maine Energy must pay approximately $3,750 to Central Maine as liquidated damages. This payment obligation is secured by a letter of credit with a bank. Additionally, if, in any year, Maine Energy fails to produce 15,000,000 kWh of electricity and Maine Energy does not have a force majeure defense, Maine Energy must pay the balance of the letter of credit to Central Maine as liquidated damages. The balance of the letter of credit at April 30, 2005 was $11,250.

Maine Energy produced and sold 158,075,200 kWh, 150,732,000 kWh and 156,146,000 kWh of electricity to Central Maine in the fiscal years ended April 30, 2003, 2004 and 2005, respectively, thereby meeting its kWh requirements under the power purchase agreement.

Under the terms of a waste handling agreement between certain municipalities and Maine Energy, the latter is obligated to make a payment at the point in time that Maine Energy pays off its debt obligations (as defined), currently estimated to occur in 2008, or upon the consummation of an outright sale of Maine Energy. The obligation has been estimated by management and recorded at $9,700. Management believes the possibility of material loss in excess of this amount is remote.

(c) Legal Proceedings

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 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.

During the period of November 21, 1996 to October 9, 1997, the Company performed certain closure activities and installed a cut-off wall at the Clinton County landfill, located in Clinton County, New York. In April 1999, the New York State Department of Labor ("DOL") alleged that the Company should have paid prevailing wages in connection with the labor associated with such activities. The Company has disputed the allegations and a hearing on the liability issue was held on September 16, 2002. In November 2002, both sides submitted proposed findings of fact and conclusions of law. On May 12, 2004, the Commissioner of Labor issued an order finding that the closure activities and the cut-off wall project were "public works" projects that were subject to prevailing wage requirements. On June 10, 2004 the Company filed a judicial challenge to the Commissioner's decision, which was stayed for a nine-month period. On April 15, 2005, the Company reached a settlement with the DOL whereby the Company agreed to pay back wages in the amount of $482, interest in the amount of $222, and a civil penalty in the amount of $35. The Company also withdrew its appeal of the Commissioner's findings.

The New Hampshire Superior Court in Grafton, NH ruled on February 1, 1999 that the Town of Bethlehem, NH could not enforce an ordinance purportedly prohibiting expansion of the Company's NCES landfill, at least with respect to 51 acres of NCES's 87 acre parcel, based upon certain existing land-use approvals. As a result, NCES was able to construct and operate "Stage II, Phase II" of the landfill. In May 2001, the Supreme Court denied the Town's appeal. Notwithstanding the Supreme Court's 2001 ruling, the Town continued to assert jurisdiction to conduct unqualified site plan review with respect to Stage III and has further stated that the Town's height ordinance and building permit process may apply to Stage III. On September 12, 2001, the Company filed a petition for, among other things, declaratory relief. On December 4, 2001, the Town filed an answer to the Company's petition asserting counterclaims seeking, among other things, authorization to assert site plan review over Stage III, which commenced operation in December 2000, as well as the methane gas utilization/leachate handling facility operating in Stage III, and also an order declaring that an ordinance prohibiting landfills

applies to Stage IV expansion. The trial related to the Town's jurisdiction was held in December 2002 and on April 24, 2003, the Grafton Superior Court upheld the Town's 1992 ordinance preventing the location or expansion of any landfill, ruling that the ordinance may be applied to any part of Stage IV that goes beyond the 51 acres; ruling that the Town's height ordinance is valid within the 51 acres; upholding the Town's right to require Site Plan Review, except that there are certain areas within the Town's Site Plan Review regulation that are preempted; and ruling that the methane gas utilization/leachate handling facility is not subject to the Town's ordinance forbidding incinerators. On May 27, 2003, NCES appealed the Court ruling to the New Hampshire Supreme Court. On March 1, 2004, the Supreme Court issued an opinion affirming that NCES has all of the local approvals that it needs to operate within the 51 acres. If successful in obtaining state permits for development and operation within the 51 acres, NCES expects to be able to provide from three to five years of disposal capacity. The Supreme Court's opinion left open for further review the question of whether the Town's 1992 ordinance can prevent expansion of the facility outside the 51 acres, remanding to the Superior Court two legal claims raised by NCES as grounds for invalidating the 1992 ordinance. An interlocutory appeal to the Supreme Court by NCES regarding a Superior Court judge's denial of a motion to recuse herself was denied on November 18, 2004. The parties have filed numerous motions for summary judgment before the trial court. On April 19, 2005, the Superior Court judge granted NCES' partial motion for summary judgment, ruling that the 1992 ordinance is invalid because it distinguishes between "users" of land rather than "uses" of land, and that the state statute preempts the Town's ability to issue a building permit for the methane gas utilization/leachate handling facility to the extent the Town's regulations relate to design, installation, construction, modification or operation. A remand trial will be scheduled for the remaining issues not resolved by summary judgment (whether the Town can impose site plan review requirements outside the 51 acres, and whether the 1992 ordinance contravenes the general welfare of the community).

On or about November 7, 2001, the Company's subsidiary New England Waste Services of ME, Inc. was served with a complaint filed in Massachusetts Superior Court on behalf of Daniel J. Quirk, Inc. and 14 citizens against The Massachusetts Department of Environmental Protection ("MADEP"), Quarry Hill Associates, Inc. and New England Waste Services of ME, Inc. dba New England Organics, et al. The complaint seeks injunctive relief related to the use of MADEP-approved wastewater treatment sludge in place of naturally occurring topsoil as final landfill cover material at the site of the Quarry Hills Recreation Complex Project in Quincy, Massachusetts (the "Project"), including removal of the material, or placement of an additional "clean" cover. On February 21, 2002, the MADEP filed a motion for stay pending a litigation control schedule. Plaintiffs have filed a cross-motion to consolidate the case with 11 other cases they filed related to the Project. Additionally, the Company has cross-claimed against other named defendants seeking indemnification and contribution. In September 2002, the court granted a stay of all proceedings pending the filing of summary judgment motions by all defendants on the issue of whether the plaintiffs are barred from suing the defendants as a result of a covenant not to sue that was signed by plaintiffs in 1998. On December 17, 2002, the court granted certain summary judgment motions filed by the defendants, the effect of which was the dismissal of all claims against all defendants in all cases where New England Waste Services of ME, Inc. was a defendant. On or about February 12, 2003, plaintiffs filed an appeal. On September 24, 2004, the Massachusetts State Appeals court reversed the Superior Court and reinstated the dismissed cases. On May 20, 2005, plaintiff proposed to dismiss without prejudice the two actions in which New England Waste Services of ME, Inc. is a defendant. The Company believes it has meritorious defenses to these claims.

On January 10, 2002, the City of Biddeford, Maine filed a lawsuit in York County Superior Court in Maine alleging breach of the waste handling agreement among the Biddeford-Saco Waste Handling Committee, the cities of Biddeford and Saco, Maine and the Company's subsidiary Maine Energy for (1) failure to pay the residual cancellation payments in connection with the Company's merger with KTI and (2) processing amounts of waste above contractual limits without notice to the City. On May 3, 2002, the City of Saco filed a lawsuit in York County Superior Court against the Company, Maine Energy and other subsidiaries. The complaint in that action, which was amended by the City of Saco on July 22, 2002, alleges breaches of the 1991 waste handling agreement for failure to pay the residual cancellation payment, which Saco alleges is due as a result of, among other things, (1) the Company's merger with KTI and (2) Maine Energy's failure to pay off certain limited partner loans in accordance with the terms of the agreement. The complaint also seeks damages for breach of contract and a court order requiring the Company to provide an accounting of all transactions since May 3, 1996 involving transfers of assets to or for the benefit of the equity owners of Maine Energy. On June 6, 2002, the additional 13 municipalities that were parties to the 1991 waste handling agreements filed a lawsuit in York County Superior Court against Maine Energy alleging breaches of the 1991 waste handling agreements for failure to pay the residual cancellation payment which they allege is due as a result of (1) the Company's merger with KTI; and (2) failure to pay off the limited partner loans when funds were allegedly available. On July 25, 2002, the three actions were consolidated for purposes of discovery, case management and pretrial proceedings. On December 23, 2003, the action brought by the Tri-County Towns against Maine Energy was stayed pursuant to a court order as a result of a conditional settlement reached by the parties. The settlement became final, and, on or about July 8, 2004, the Tri-County Towns' action was dismissed with prejudice pursuant to

stipulation by the parties. The Company is currently engaged in settlement negotiations with the Cities of Biddeford and Saco concerning the claims asserted in these actions and other matters, however, at this stage it is impossible to predict whether a settlement will be reached. The Company has vigorously contested the claims asserted by the cities. The Company believes it has meritorious defenses to these claims.

On or about September 17, 2003, the Company was served with a complaint filed in the Superior Court of Delaware. The complaint alleges that Manner Resins, Inc., the Company's wholly-owned subsidiary, was a party to a lease agreement where it was a tenant and the plaintiff was the landlord. The complaint further alleges that KTI, Inc., the Company's wholly-owned subsidiary, guaranteed the tenant's obligations under the lease. The landlord alleges that the tenant is in default of the lease in that it constructed improvements without consent, damaged certain structures and failed to make certain payments. Plaintiff's demand for damages is $867. The Company filed a summary judgment motion to dismiss Manner Resins, Inc. in that it was incorrectly named as a party since the tenant is a company now known as First State Recycling, Inc. ("First State"), which the Company sold on August 11, 2000. On June 3, 2005, the Court granted the Company's motion for summary judgment effectively dismissing Manner Resins, Inc. While KTI, Inc. remains in the litigation, the buyer of First State has agreed to indemnify and defend the Company from any liability that KTI, Inc. might have in the litigation. The Company believes it has meritorious defenses to these claims.

On or about December 3, 2003, Maine Energy was served with a complaint filed in the United States District Court for the District of Maine. The complaint was a citizen suit under the federal Clean Air Act ("CAA") and similar state law alleging (1) emissions of volatile organic compounds ("VOCs") in violation of its federal operating permit; (2) failure to accurately identify emissions; and (3) failure to control VOC emissions through implementation of reasonably available control technology. In addition, the complaint alleged that Maine Energy was negligent and that the subject emissions cause odors and constitute a public nuisance. The allegations related to Maine Energy's waste-to-energy facility located in Biddeford, Maine and its construction, installation and operation of a new odor control system which redirects air from tipping and processing buildings to a boiler building for treatment by three air vents. The complaint sought an unspecified amount of civil penalties, damages, injunctive relief and attorney's fees. The court allowed the City's requests to amend its complaint to assert (1) an additional CAA claim that Maine Energy filed with the Maine DEP a compliance certification for calendar year 2002 which failed to disclose required information concerning VOC emissions, and (2) an additional claim that the installation of the odor control system constituted a major modification under the Maine DEP air rules, which required Maine Energy to obtain emission offsets and to apply the most stringent level of emission control known as the Lowest Available Emission Rate or LAER. This latter amendment sought additional relief in the form of an order requiring that Maine Energy obtain emission offsets and apply LAER to emissions from its tipping and processing operations. On June 2, 2004, the City of Biddeford dismissed the subject complaint without prejudice while settlement negotiations take place. On or about May 25, 2004, Maine Energy received a revised 60-Day Notice of Intent to Sue Under the CAA from the Cities of Biddeford and Saco. The Notice states that the Cities intend to refile suit under the CAA in the event that the ongoing settlement negotiations do not resolve the claims. On or about July 22, 2004 and March 28, 2005, Maine Energy received from the United States Environmental Protection Agency ("EPA") a request for information pursuant to section 114(a)(1) of the CAA, which states that the EPA is evaluating whether the Maine Energy facility is in compliance with the CAA, CAA regulations, and licenses issued under the CAA. Maine Energy intends to fully cooperate with the EPA in connection with these requests for information pertaining to VOC emissions issues.

On March 2, 2005, the Company's subsidiary Casella Waste Management of Pennsylvania, Inc. ("CWMPA") was issued an Administrative Order by the Pennsylvania Department of Environmental Protection ("DEP") revoking CWMPA's transfer station permit for its 75-ton-per-day transfer station located in Wellsboro, Pennsylvania and ordering that the site be closed. The DEP based its decision on certain alleged violations related to recordkeeping and site management over a five-year period. On March 10, 2005, CWMPA appealed the Order to the State's Environmental Hearing Board ("EHB"). The Pennsylvania Attorney General's Office is also conducting a criminal investigation of the allegations. On March 17, 2005, CWMPA and the DEP mutually agreed to a Supersedeas Order approved by the EHB which superseded the March 2, 2005 DEP Order, stating that CWMPA agreed to (i) voluntarily cease operations at the transfer station until May 16, 2005; (ii) relocate its hauling company before May 16, 2005; and (iii) develop a Management and Operation Plan for the transfer station by May 16, 2005. On May 17, 2005, the EHB judge extended the Supersedeas Order until June 10, 2005 and authorized the transfer station to resume operations upon completion of the relocation of the hauling company and receipt of a permit modification related to the weighing of bag waste from individual customers. CWMPA satisfied the conditions and recommenced operations at the transfer station on May 20, 2005. On June 9, 2005, CWMPA and the DEP filed a stipulation with the EHB withdrawing and voiding the March 2, 2005 Order revoking the permit, while reserving the DEP's right to seek civil penalties and the Company's right to defend against any such penalties.

On March 10, 2005, the Zoning Enforcement Officer for the Town of Hardwick, Massachusetts rendered an opinion that more than half of the current Phase II footprint of the Company's Hardwick Landfill is on land that is not properly zoned. On April 7, 2005, the Company appealed the opinion to the Hardwick Zoning Board of Appeals. A decision is expected by mid-July 2005. The Company and the Town executed a Host Community Agreement on June 7, 2005, which provides the Town with certain immediate benefits and will provide certain deferred benefits upon receipt of approvals for the rezoning of the existing landfill area and an expansion area.

On March 14, 2005, the Company and the Company's subsidiary New England Waste Services of ME, Inc. ("NEWSME") were served with a complaint filed by the Environmental Exchange in the State of Maine Superior Court alleging restraint of trade, and conspiracy to monopolize trade. The plaintiff claims that the Company's ownership of NEWSME, which in turn owns the New England Organics line of business and the Pine Tree Landfill, allegedly enabled NEWSME to obtain favorable tipping fees at Pine Tree Landfill thereby excluding the plaintiff from competitively bidding on a contract with Indeck Maine Energy LLC to haul and dispose of fly ash. Plaintiff alleges that the Company and NEWSME lessened competition and monopolized trade. On April 4, 2005, the Company and NEWSME filed a motion to dismiss. The Company believes it has meritorious defenses to these claims.

On May 25, 2005, the Company was served with an antitrust summons by the Office of the Attorney General of the State of Maine pursuant to their investigation of whether the Company and the City of Lewiston have entered into an agreement to operate a municipal landfill in restraint of trade or commerce and whether such an agreement would constitute an acquisition of assets that may substantially lessen competition or tend to create a monopoly. The summons seeks the production of documents related to the Company's operations in the State of Maine. The Company believes it has meritorious defenses to these claims.

The Company is a defendant in certain other lawsuits alleging various claims incurred in the ordinary course of business, none of which, either individually or in the aggregate, the Company believes are material to its financial condition, results of operations or cash flows.

(d) Environmental Liability

The Company is subject to liability for any environmental damage, including personal injury and property damage, that its solid waste, recycling and power generation 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 it expects would have a material adverse impact on the results of operations or financial condition.

(e) Employment Contracts

The Company has entered into employment contracts with four of its senior officers. Two contracts are dated December 8, 1999, while the other two are dated June 18, 2001 and July 20, 2001, respectively. Each contract has a three year term and a two year covenant not to compete from the date of termination. These contracts automatically extend for a one year period at the end of the initial term and any renewal period. Total annual commitments for salaries under these contracts are $1,150. In the event of a change in control of the Company, or in the event of involuntary termination without cause, the employment contracts provide for a payment ranging from one to three years of salary and bonuses.

13. PREFERRED STOCK

The Company is authorized to issue up to 1,000 shares of preferred stock in one or more series. As of April 30, 2004 and 2005, the Company had 56 shares authorized, 56 and 54 shares issued and outstanding, respectively, of Series A Redeemable Convertible Preferred Stock issued at $1,000 per share. These shares are convertible into Class A common stock, at the option of the holders, at $14 per share. Dividends are cumulative at a rate of 5%, compounded quarterly from the issuance date of August 11, 2000. The Company has the option to redeem the preferred stock for cash at any time after three years at a price giving the holder a defined yield, but must redeem the shares by the seventh anniversary date at liquidation value, which equals original cost, plus accrued but unpaid dividends, if any. Pursuant to the stock agreement, acceleration of

the liquidation provisions would occur upon change in control of the Company.

During the fiscal years ended April 30, 2003, 2004 and 2005, the Company accrued $3,094, $3,252 and $3,338 of dividends, respectively, which are included in the carrying value of the preferred stock in the accompanying consolidated balance sheets.

14. STOCKHOLDERS' EQUITY

(a) Common Stock

The holders of the Class A Common Stock are entitled to one vote for each share held. The holders of the Class B Common Stock are entitled to ten votes for each share held, except for the election of one director, who is elected by the holders of the Class A Common Stock exclusively. The Class B Common Stock is convertible into Class A Common Stock on a share-for-share basis at the option of the shareholder.

(b) Stock Warrants

At April 30, 2004 and 2005, there were outstanding warrants to purchase 91 shares of the Company's Class A Common Stock at exercise prices between $15.88 and $43.63 per share, based on the fair value of the underlying common stock at the time of the warrants' issuance. The warrants are exercisable and expire at varying times through November 2008.

(c) 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") provided for the issuance of a maximum of 300 shares of Class A Common Stock. As of April 30, 2004, options to purchase 14 shares of Class A common stock were outstanding at a weighted average exercise price of $4.61. As of April 30, 2005, options to purchase 12 shares of Class A common stock were outstanding at a weighted average exercise price of $4.61. No further options may be granted under this plan.

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") provided for the issuance of a maximum of 918 shares of Class A Common Stock pursuant to the grant of either incentive stock options or non-statutory options. As of April 30, 2004, a total of 279 options to purchase Class A Common Stock were outstanding at a weighted average exercise price of $11.62. As of April 30, 2005, a total of 270 options to purchase Class A common Stock were outstanding at an average exercise price of $11.59. No further options may be granted under this plan.

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 5,328 shares of Class A Common Stock pursuant to the grant of either incentive stock options or non-statutory options, which includes all authorized, but unissued options under previous plans. As of April 30, 2004, options to purchase 2,959 shares of Class A Common Stock at an average exercise price of $12.99 were outstanding under the 1997 Option Plan. As of April 30, 2005, options to purchase 2,938 shares of Class A Common Stock at a weighted average exercise price of $13.13 were outstanding under the 1997 Option Plan. As of April 30, 2005, 1,390 options were available for future grant under the 1997 Option Plan.

Additionally, options outstanding under the assumed KTI Stock Option Plan totaled 70 and 36 at April 30, 2004 and 2005, respectively, at weighted average exercise prices of $20.41 and $21.52, respectively. Upon assumption of this plan, options under the KTI plan became exercisable for an equal number of shares of the Company's stock. The exercise price of the converted options was increased by 96.1% based on relative fair values of the underlying stock at the date of the KTI acquisition.

On July 31, 1997, the Company adopted a stock option plan for non-employee directors of the Company. The 1997 Non-Employee Director Stock Option Plan provides for the issuance of a maximum of 200 shares of Class A Common Stock pursuant to the grant of non-statutory options. As of April 30, 2004 and 2005, options to purchase 117 shares of Class A Common Stock at a weighted average exercise price of $11.44 and 159 shares of Class A Common Stock at a weighted average exercise price of $11.72 respectively, were outstanding. As of April 30, 2005, 39 options were available for future grant under the 1997 Non-Employee Director Stock Option Plan.

On July 2, 2001, the Company offered its employees, other than executive officers, the opportunity to ask the Company to exchange options having an exercise price of $12.00 or more per share. For every two eligible options surrendered, the participating option holders received one new option on February 4, 2002 at an exercise price of $12.75, which was equal to the closing price of a common share as quoted by NASDAQ on that day 666 options were surrendered for exchange under the offering resulting in 333 options being granted to participants.

Options generally vest over a one to three year period from the date of grant and are granted at prices at least equal to the prevailing fair market value at the issue date. In general, options are issued with a life not to exceed ten years.

Stock option activity for the fiscal years ended April 30, 2003, 2004 and 2005 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, April 30, 2002	4,237	$ 13.09
Granted	225	8.30
Terminated	(83)	(19.06)
Exercised	(26)	(5.28)
Outstanding, April 30, 2003	4,353	12.77
Granted	230	10.54
Terminated	(355)	22.28
Exercised	(791)	(6.11)
Outstanding, April 30, 2004	3,437	13.07
Granted	355	13.16
Terminated	(209)	(16.98)
Exercised	(168)	(9.48)
Outstanding, April 30, 2005	3,415	$ 12.93
Exercisable, April 30, 2003	3,982	$ 13.06
Exercisable, April 30, 2004	3,164	$ 13.27
Exercisable, April 30, 2005	3,063	$ 13.02

Set forth below is a summary of options outstanding and exercisable as of April 30, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number of Outstanding Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Exercisable Options	Weighted Average Exercise Price
$4.61 - $6.91	128	3.2	$ 5.06	114	$ 4.97
$6.92 - $10.38	946	5.5	8.77	892	8.75
$10.39 - $15.58	1,857	6.0	13.23	1,572	13.25
$15.59 - $23.38	247	3.5	17.43	247	17.43
Over $23.39	237	3.0	26.77	238	26.77
Totals	3,415	5.4	$ 12.93	3,063	$ 13.02

The weighted average grant date fair value of options granted during the fiscal years ended April 30, 2003, 2004 and 2005 is $8.30, $4.76 and $5.43, respectively.

15. EMPLOYEE BENEFIT PLANS

The Company offers its eligible employees the opportunity to contribute to a 401(k) plan. The Company will contribute fifty cents for every dollar an employee invests in the 401(k) plan up to a maximum Company match of five-hundred dollars per calendar year. The maximum Company match will increase to seven-hundred fifty dollars in fiscal year 2006. Participants vest in employer contributions ratably over a three year period. Employer contributions for the fiscal years ended April 30, 2003, 2004 and 2005 amounted to $368, $397 and $365, respectively.

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. 600 shares of Class A Common Stock have been reserved for this purpose. During the fiscal years ended April 30, 2003, 2004 and 2005, 28, 39 and 22 shares, respectively, of Class A Common Stock were issued under this plan.

16. INCOME TAXES

The provision (benefit) for income taxes from continuing operations for the fiscal years ended April 30, 2003, 2004 and 2005 consists of the following:

	Fiscal Year Ended April 30,		
	2003	2004	2005
Federal—			
Current	$ 22	$ 22	$ 69
Deferred	(729)	5,508	3,813
Deferred benefit of loss carryforwards	1,970	(7,985)	—
	1,263	(2,455)	3,882
State—			
Current	871	360	524
Deferred	1,594	1,872	1,319
Deferred benefit of loss carryforwards	97	(1,399)	—
	2,562	833	1,843
	$ 3,825	$ (1,622)	$ 5,725

The differences in the provision (benefit) for income taxes and the amounts determined by applying the Federal statutory rate to income before provision (benefit) for income taxes for the years ended April 30, 2003, 2004 and 2005 are as follows:

	Fiscal Year Ended April 30,		
	2003	2004	2005
Federal statutory rate	35%	35%	35%
Tax at statutory rate	$ 2,766	$ 1,319	$ 4,527
State income taxes, net of federal benefit	1,647	(360)	604
(Decrease)/increase in valuation allowance	(3,173)	(2,746)	593
Losses on business dispositions	849	—	—
Non-deductible impairment charge	568	—	—
Increase in state tax rate, net of federal benefit	—	—	(95)
Other, net	1,168	165	96
	$ 3,825	$ (1,622)	$ 5,725

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, 2004 and 2005:

	April 30,	
	2004	2005
Deferred tax assets:		
Net operating loss carryforwards	$ 43,599	$ 42,745
Accrued expenses and reserves	11,889	11,105
Deferred revenue	—	1,652
Alternative minimum tax credit carryforwards	672	715
Gain on business dispositions	329	332
Capital loss carryforward	224	—
Other	2,151	2,131
Total deferred tax assets	58,864	58,680
Less: valuation allowance	(10,317)	(5,411)
Total deferred tax assets after valuation allowance	48,547	53,269
Deferred tax liabilities:		
Accelerated depreciation of property and equipment	(33,030)	(30,337)
Amortization of intangibles	(8,219)	(13,400)
Basis difference in partnership interests	(2,602)	(7,713)
Other	(82)	(83)
Total deferred tax liabilities	(43,933)	(51,533)
Net deferred tax asset	$ 4,614	$ 1,736

At April 30, 2005, the Company has, for Federal income tax purposes, net operating loss carryforwards of approximately $108,807 that expire in years 2006 through 2024 and state net operating loss carryforwards of approximately $62,614 that expire in years 2006 through 2025. Substantial limitations restrict the Company's ability to utilize certain Federal and state loss carryforwards. Due to uncertainty of the utilization of the carryforwards, no tax benefit has been recognized for approximately $3,009 of the Federal net operating loss carryforwards and $47,117 of the state net operating loss carryforwards. In addition, the Company has approximately $715 minimum tax credit carryforward available that is not subject to limitation.

The $4,906 net decrease in the valuation allowance is primarily due to the reduction in the valuation allowance for Federal loss carryforwards as utilization of the Company's tax losses is more certain, and the expiration of certain Federal and state loss carryforwards, offset in part by an increase in the valuation allowance for certain state loss carryforwards. The change in the valuation allowance includes a $2,801 decrease related to Federal and state loss carryforwards that was recorded as a reduction to KTI goodwill.

The valuation allowance includes $1,364 related to losses acquired through acquisitions. To the extent that future realization of such carryforwards exceeds the Company's current estimates, additional benefits received will be recorded as a reduction of goodwill. In assessing the realizability of carryforwards and other deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company adjusts the valuation allowance in the period management determines it is more likely than not that deferred tax assets will or will not be realized.

17. DISCONTINUED OPERATIONS, DIVESTITURES, IMPAIRMENT CHARGES AND DEFERRED COSTS.

Discontinued Operations:

In the fourth quarter of fiscal 2003, the Company entered into negotiations with former employees for the transfer of its domestic brokerage operations and a commercial recycling business. The transaction was completed in June 2003. The commercial recycling business had been accounted for as a discontinued operation since fiscal 2001. Due to the nature of the transaction, the Company could not retain discontinued accounting treatment for this operation. Therefore, the commercial recycling business' operating results have been reclassified from discontinued to continuing operations for fiscal 2003. In fiscal 2001, estimated future losses from this operation were recorded and classified as losses from discontinued operations. This amount has been reclassified and offset against actual losses from operations in fiscal 2003.

During the second quarter of fiscal 2005, we completed the sale of the assets of Data Destruction Services, Inc. ("Data Destruction") for cash sale proceeds of $3,050. This shredding operation had been historically accounted for as a component of continuing operations up until its sale. The transaction required discontinued operations treatment under SFAS No. 144, therefore the operating results of Data Destruction have been reclassified from continuing to discontinued operations in fiscal 2003, 2004 and 2005. Also in connection with the discontinued accounting treatment, the loss (net of tax)

from the sale amounting to $82 has been recorded and classified as a loss on disposal of discontinued operations.

Other Divestitures:

In April 2003, the Company sold its FCR Virginia division for consideration of $875. The transaction resulted in a gain of $684 which is included in other expense/(income), net.

Effective September 30, 2002, the Company transferred its export brokerage operations to former employees, who had been responsible for managing that business. Consideration for the transaction was in the form of two notes receivable amounting to $5,460. Effective April 1, 2004, the Company completed the sale the export brokerage operations for total consideration of $4,984. The gain on the sale amounted to $1,144 and is included in other expense/(income) for fiscal year 2004.

Impairment Charges:

In the fourth quarter of fiscal 2004 the Company recorded an impairment charge of $1,663, consisting of a $404 write-down of our investment in Resource Optimization Technology ("ROT"), a compost facility, which the Company transferred at no cost to a third party in February 2005 and subsequently liquidated the entity; a charge of $926 relating to the sale of buildings and land at its former recycling facility in Mechanics Falls, Maine; and a charge of $333 for the discontinued Rockingham landfill project.

In the fourth quarter of fiscal 2003, the Company recorded an impairment charge of $4,864 to adjust the book value of the domestic brokerage and commercial recycling business to net realizable value.

Deferred Costs:

In the second quarter of fiscal 2005, the Company recorded a charge of $295 as deferred costs to reflect the write-off of development costs associated with unsuccessful negotiations to operate and develop a landfill located in McKean County, Pennsylvania.

18. EARNINGS PER SHARE

The following table sets forth the numerator and denominator used in the computation of earnings per share:

	Fiscal Year Ended April 30,		
	2003	2004	2005
Numerator:			
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	$ 4,078	$ 5,392	$ 7,211
Less: preferred stock dividends	(3,094)	(3,252)	(3,338)
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle available to common stockholders	$ 984	$ 2,140	$ 3,873
Denominator:			
Number of shares outstanding, end of period:			
Class A common stock	22,769	23,496	23,860
Class B common stock	988	988	988
Effect of weighted average shares outstanding during period	(41)	(482)	(169)
Weighted average number of common shares used in basic EPS	23,716	24,002	24,679
Impact of potentially dilutive securities:			
Dilutive effect of options, warrants and contingent stock	188	443	514
Weighted average number of common shares used in diluted EPS	23,904	24,445	25,193

For the fiscal years ended April 30, 2003, 2004 and 2005, 8,408, 6,513 and 6,079, respectively, of potentially dilutive common stock related to options, warrants and redeemable convertible preferred stock, respectively, were excluded from the calculation of dilutive shares since the inclusion of such shares would be anti-dilutive.

19. RELATED PARTY TRANSACTIONS

(a) Services

During fiscal years ended April 30, 2003, 2004 and 2005, the Company retained the services of a related party, a company wholly owned by two of the Company's major stockholders and members of the Board of Directors (one of whom is also an officer), as a contractor in developing or closing certain landfills owned by the Company. Total purchased services charged to operations or capitalized to landfills for the fiscal years ended April 30, 2003, 2004 and 2005 were $1,525, $5,759 and $9,193, respectively, of which $499 and $388 were outstanding and included in accounts payable at April 30, 2004 and 2005, respectively.

(b) Leases

On August 1, 1993, the Company entered into two leases for operating facilities with a partnership in which two of the Company's major stockholders and members of the Board of Directors (one of whom is also an officer) are the general partners. The leases are classified as capital leases in the accompanying consolidated balance sheets. The leases call for monthly payments of approximately $22 and expire in April 2008. Total expense charged to operations for fiscal years ended April 30, 2003, 2004 and 2005 under these agreements was $196, $255 and $275, respectively.

(c) Landfill Post-closure

The Company has agreed to pay the cost of post-closure on a landfill owned by certain principal shareholders. The Company paid the cost of closing this landfill in 1992, and the post-closure maintenance obligations are expected to last until 2012. In the fiscal years ended April 30, 2003, 2004 and 2005, the Company paid $8, $9 and $8 respectively, pursuant to this agreement. As of April 30, 2004 and 2005, the Company has accrued $106 and $53 respectively, for costs associated with its post-closure obligations.

(d) Transfer Station Lease

In June 1994, the Company entered into a transfer station lease for a term of 10 years. The transfer station was

owned by a current member of the Company's Board of Directors, who became a director upon the execution of the lease. Under the terms of the lease the Company agreed to pay monthly rent for the first five years at a rate of five dollars per ton of waste disposed of at the transfer station, with a minimum rent of $7 per month. In June 1999, the monthly rent was lowered to a rate of two dollars per ton of waste disposed, with a minimum rent of $3 per month. Total lease payments for the fiscal years ended April 30, 2003 and 2004 were $55 and $35, respectively. In October 2003, the Company agreed to assume the post-closure obligations at an adjacent closed landfill owned by the same member of the Company's Board of Directors in exchange for ownership of the transfer station and closed landfill site and termination of the lease and rental obligations.

(e) Employee Loans

As of April 30, 2004 and 2005, the Company has recourse loans to officers and employees outstanding in the amount of $1,015 and $1,004, respectively. The interest on these notes is payable upon demand by the Company. The notes have no fixed repayment terms. Interest is at the Wall Street Journal Prime Rate (6.00% at April 30, 2005). Non current assets includes notes from officers consisting of $1,016 and $916 at April 30, 2004 and 2005, respectively. Current assets include receivables associated with loans to employees of the Company amounting to $89 and $88 at April 30, 2004 and 2005, respectively.

(f) Commodity Sales

The Company sells recycled paper products to its equity method investee, GreenFiber. Revenue from sales to GreenFiber amounted to $3,375, $3,071 and $3,560 for fiscal years ended April 30, 2003, 2004 and 2005, respectively.

20. SEGMENT REPORTING

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information about operating segments in financial statements. In general, SFAS No. 131 requires that business entities report selected information about operating segments in a manner consistent with that used for internal management reporting.

The Company classifies its operations into North Eastern region, South Eastern region, Central region, Western region and FCR Recycling. The Company's revenues in the North Eastern region, South Eastern region, Central region and Western region segments are derived mainly from one industry segment, which includes the collection, transfer, recycling and disposal of non-hazardous solid waste. The North Eastern region also includes Maine Energy, which generates electricity from non-hazardous solid waste. The Company's revenues in the FCR Recycling segment are derived from integrated waste handling services, including processing and recycling of paper, cardboard, metals, aluminum, plastics and glass and brokerage of recycled materials. Ancillary operations, major customer accounts and earnings from equity method investees, are included in Other.

	North Eastern region	South Eastern region	Central region	Western region	FCR Recycling
Year Ended April 30, 2003					
Outside revenues	$ 76,903	$ 76,415	$ 90,524	$ 68,451	$ 92,981
Inter-segment revenues	21,771	17,673	43,253	13,740	22,447
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	1,624	(7,878)	18,445	2,521	(2,259)
Depreciation and amortization	16,724	5,982	11,531	8,204	3,375
Interest expense (net)	3,642	6,455	(204)	6,811	10,233
Capital expenditures	9,234	6,966	9,734	9,874	4,900
Goodwill	26,617	30,117	25,485	49,847	27,616
Total assets	$ 149,302	$ 89,268	$ 107,694	$ 110,045	$ 64,989

	Other	Eliminations	Total
Year Ended April 30, 2003			
Outside revenues	$ 14,244	$ —	**$ 419,518**
Inter-segment revenues	1	(118,885)	**—**
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	(8,375)	—	**4,078**
Depreciation and amortization	2,063		**47,879**
Interest expense (net)	(901)		**26,036**
Capital expenditures	1,217		**41,925**
Goodwill	—		**159,682**
Total assets	$ 81,398	$ —	**$ 602,696**

	North Eastern region	South Eastern region	Central region	Western region	FCR Recycling
Year Ended April 30, 2004					
Outside revenues	$ 82,658	$ 84,713	$ 100,789	$ 77,669	$ 75,366
Inter-segment revenues	24,361	26,370	48,458	15,930	3,635
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	2,422	(14,616)	18,208	1,178	5,247
Depreciation and amortization	17,747	13,239	12,778	9,899	3,910
Interest expense (net)	3,741	9,079	(639)	7,357	4,313
Capital expenditures	12,795	12,921	14,410	13,771	2,769
Goodwill	25,770	30,490	28,684	50,918	21,368
Total assets	$ 169,412	$ 129,163	$ 114,630	$ 122,109	$ 59,457

	Other	Eliminations	Total
Year Ended April 30, 2004			
Outside revenues	$ 16,766	$ —	**$ 437,961**
Inter-segment revenues	—	(118,754)	**—**
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	(7,047)	—	**5,392**
Depreciation and amortization	2,023		**59,596**
Interest expense (net)	1,398		**25,249**
Capital expenditures	1,669		**58,335**
Goodwill	—		**157,230**
Total assets	$ 76,161	$ —	**$ 670,932**

	North Eastern region	South Eastern region	Central region	Western region	FCR Recycling
Year Ended April 30, 2005					
Outside revenues	$ 93,439	$ 89,176	$ 108,700	$ 92,684	$ 82,009
Inter-segment revenues	24,383	28,963	53,527	21,271	462
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	1,322	(19,038)	19,288	$ 4,354	$ 9,860
Depreciation and amortization	18,059	14,141	14,855	12,999	3,723
Interest expense (net)	5,241	12,756	(1,738)	8,560	2,782
Capital expenditures	14,707	11,206	21,087	22,323	9,325
Goodwill	25,340	31,645	30,158	53,450	16,899
Total assets	$ 172,427	$ 135,364	$ 125,592	$ 149,317	$ 60,000

	Other	Eliminations	Total
Year Ended April 30, 2005			
Outside revenues	$ 15,956	$ —	**$ 481,964**
Inter-segment revenues	2	(128,608)	—
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	(8,575)	—	**7,211**
Depreciation and amortization	1,860		**65,637**
Interest expense (net)	1,789		**29,390**
Capital expenditures	1,416		**80,064**
Goodwill	—		**157,492**
Total assets	$ 69,754	$ —	**$ 712,454**

Amounts of our total revenue attributable to services provided are as follows:

	Fiscal Year Ended April 30,		
	2003 (1)	2004 (1)	2005
Collection	$ 208,896	$ 226,840	$ 237,877
Landfill / disposal facilities	60,039	69,639	80,132
Transfer	35,060	38,830	41,862
Recycling	78,465	99,362	122,093
Brokerage	37,058	3,290	—
Total	$ 419,518	$ 437,961	$ 481,964

(1) Revenue attributable to services provided in fiscal years ended April 30, 2003 and 2004 have been revised to conform with the classification of revenue attributable to services provided in the current fiscal year.

21. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of certain items in the Consolidated Statements of Operations by quarter for fiscal years ended April 30, 2004 and 2005.

Fiscal Year 2004	First Quarter (1)	Second Quarter (1)	Third Quarter (1)	Fourth Quarter (1)
Revenues	$ 113,449	$ 111,548	$ 104,144	$ 108,820
Operating income	10,321	10,169	7,362	4,855
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	3,465	5,704	1,486	(5,263)
Net income (loss) available to common stockholders	5,396	4,886	672	(6,101)
Income per common share:				
Basic:				
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	0.11	0.20	0.03	(0.25)
Net income (loss) available to common stockholders	0.22	0.20	0.03	(0.25)
Diluted:				
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	0.11	0.20	0.03	(0.25)
Net income (loss) available to common stockholders	0.22	0.20	0.03	(0.25)

Fiscal Year 2005	First Quarter (1)	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 123,672	$ 126,381	$ 116,080	$ 115,831
Operating income	12,657	12,756	7,570	8,450
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	2,762	3,485	1,397	(433)
Net income (loss) available to common stockholders	2,005	2,562	568	(1,204)
Income per common share:				
Basic:				
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	0.08	0.11	0.02	(0.05)
Net income (loss) available to common stockholders	0.08	0.10	0.02	(0.05)
Diluted:				
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	0.08	0.11	0.02	(0.05)
Net income (loss) available to common stockholders	0.08	0.10	0.02	(0.05)

(1) The Company divested the assets of Data Destruction during the quarter ended October 31, 2004. The transaction required discontinued operations treatment under SFAS No. 144, therefore the operating results of Data Destruction have been reclassified from continuing to discontinued operations for fiscal years ended April 30, 2003, 2004 and 2005 and the above quarterly summary data has been revised from amounts previously reported.

22. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The senior subordinated notes are guaranteed jointly and severally, fully and unconditionally by the Company's significant wholly-owned subsidiaries. The Parent is the issuer and non-guarantor of the senior subordinated notes. The information which follows presents the condensed consolidating financial position as of April 30, 2004 and 2005; the condensed consolidating results of operations for the fiscal years ended April 30, 2003, 2004 and 2005; and the condensed consolidating statements of cash flows for the fiscal years ended April 30, 2003, 2004 and 2005 of (a) the Parent company only, (b) the combined guarantors ("the Guarantors"), each of which is 100% wholly-owned by the Parent, (c) the combined non-guarantors ("the Non-Guarantors"), (d) eliminating entries and (e) the Company on a consolidated basis.

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF APRIL 30, 2004
(In thousands, except for share and per share data)

ASSETS	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	$ 7,805	$ (196)	$ 398	$ —	$ 8,007
Restricted Cash	—	121	8	—	129
Accounts receivable - trade, net of allowance for doubtful accounts	83	48,096	1,283	—	49,462
Refundable income taxes	623	—	—	—	623
Inventory	—	1,848	—	—	1,848
Other current assets	5,301	3,982	949	(797)	9,435
Total current assets	13,812	53,851	2,638	(797)	69,504
Property, plant and equipment, net of accumulated depreciation and amortization	2,764	367,589	1,685	—	372,038
Intangible assets, net	—	157,230	—	—	157,230
Deferred income taxes	286	—	—	—	286
Investments in subsidiaries	(35,115)	—	—	35,115	—
Assets under contractual obligation	—	2,148	—	—	2,148
Other non-current assets	25,970	35,725	12,410	(4,379)	69,726
	(6,095)	562,692	14,095	30,736	601,428
Intercompany receivable	553,154	(555,465)	(2,069)	4,380	—
	$ 560,871	$ 61,078	$ 14,664	$ 34,319	$ 670,932

LIABILITIES AND STOCKHOLDERS' EQUITY	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
CURRENT LIABILITIES:					
Current maturities of long term debt	$ 1,500	$ 1,942	$ 2,100	$ —	$ 5,542
Accounts payable	1,780	37,516	738	—	40,034
Accrued payroll and related expenses	1,405	5,982	38	—	7,425
Accrued interest	6,022	2	—	—	6,024
Accrued closure and post-closure costs, current portion	—	1,928	543	—	2,471
Other current liabilities	3,382	12,372	10,918	(797)	25,875
Total current liabilities	14,089	59,742	14,337	(797)	87,371
Long-term debt, less current maturities	347,957	1,206	—	—	349,163
Other long-term liabilities	1,694	32,860	2,713	—	37,267
COMMITMENTS AND CONTINGENCIES					
Series A redeemable, convertible preferred stock, 55,750 shares authorized, issued and outstanding, liquidation preference of $1,000 per share plus accrued but unpaid dividends	67,076	—	—	—	67,076
STOCKHOLDERS' EQUITY:					
Class A common stock - Authorized - 100,000,000 shares, $0.01 par value issued and outstanding - 23,496,000 shares	235	101	100	(201)	235
Class B common stock - Authorized - 1,000,000 shares, $0.01 par value 10 votes per share, issued and outstanding - 988,000 shares	10	—	—	—	10
Accumulated other comprehensive income	408	1,933	—	(1,933)	408
Additional paid-in capital	272,993	48,270	2,595	(50,865)	272,993
Accumulated deficit	(143,591)	(83,034)	(5,081)	88,115	(143,591)
Total stockholders' equity	130,055	(32,730)	(2,386)	35,116	130,055
	$ 560,871	$ 61,078	$ 14,664	$ 34,319	$ 670,932

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF APRIL 30, 2005
(In thousands, except for share and per share data)

ASSETS	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	$ (2,383)	$ 10,146	$ 815	$ —	$ 8,578
Restricted cash	—	70	—	—	70
Accounts receivable - trade, net of allowance for doubtful accounts	76	50,998	652	—	51,726
Refundable income taxes	874	—	—	—	874
Inventory	—	2,538	—	—	2,538
Other current assets	596	4,161	840	—	5,597
Total current assets	(837)	67,913	2,307	—	69,383
Property, plant and equipment, net of accumulated depreciation and amortization	2,928	411,506	(1,681)	—	412,753
Intangible assets, net	—	157,492	—	—	157,492
Deferred income taxes	3,155	—	—	—	3,155
Investment in subsidiaries	(18,424)	—	—	18,424	—
Assets under contractual obligation	—	1,392	—	—	1,392
Other non-current assets	25,430	36,287	10,941	(4,379)	68,279
	13,089	606,677	9,260	14,045	643,071
Intercompany receivable	587,569	(589,512)	(2,436)	4,379	—
	$ 599,821	$ 85,078	$ 9,131	$ 18,424	$ 712,454

LIABILITIES AND STOCKHOLDERS' EQUITY	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
CURRENT LIABILITIES:					
Current maturities of long term debt	$ —	$ 281	$ —	$ —	$ 281
Accounts payable	1,425	44,654	28	—	46,107
Accrued payroll and related expenses	2,243	7,320	125	—	9,688
Accrued interest	4,816	2	—	—	4,818
Deferred income taxes	1,419	—	—	—	1,419
Accrued closure and post-closure costs, current portion	—	4,748	542	—	5,290
Other current liabilities	3,975	10,474	10,702	—	25,151
Total current liabilities	13,878	67,479	11,397	—	92,754
Long-term debt, less current maturities	377,760	676	—	—	378,436
Other long-term liabilities	1,437	30,085	2,996	—	34,518
COMMITMENTS AND CONTINGENCIES					
Series A redeemable, convertible preferred stock, authorized - 55,750, issued and outstanding - 53,750, liquidation preference of $1,000 per share plus accrued but unpaid dividends	67,964	—	—	—	67,964
STOCKHOLDERS' EQUITY:					
Class A common stock - Authorized - 100,000,000 shares, $0.01 par value; issued and outstanding - 23,860,000 shares	239	101	100	(201)	239
Class B common stock - Authorized - 1,000,000 shares, $0.01 par value, 10 votes per share, issued and outstanding - 988,000 shares	10	—	—	—	10
Accumulated other comprehensive income	767	1,276	(53)	(1,223)	767
Additional paid-in capital	274,088	48,035	2,596	(50,631)	274,088
Accumulated deficit	(136,322)	(62,574)	(7,905)	70,479	(136,322)
Total stockholders' equity	138,782	(13,162)	(5,262)	18,424	138,782
	$ 599,821	$ 85,078	$ 9,131	$ 18,424	$ 712,454

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FISCAL YEAR ENDED APRIL 30, 2003
(In thousands)

	Parent	Guarantors	Non - Guarantors	Elimination	Consolidated
Revenues	$ —	$ 415,432	$ 13,949	$ (9,863)	$ 419,518
Operating expenses:					
Cost of operations	(926)	274,979	13,389	(9,863)	277,579
General and administration	(3)	54,887	548	—	55,432
Depreciation and amortization	1,812	43,798	2,269	—	47,879
Impairment charge	400	4,464	—	—	4,864
	1,283	378,128	16,206	(9,863)	385,754
Operating income (loss)	(1,283)	37,304	(2,257)	—	33,764
Other expense/(income), net:					
Interest income	(27,864)	(3,398)	(160)	31,104	(318)
Interest expense	26,826	30,232	400	(31,104)	26,354
(Income) loss from equity method investments	50,265	(2,073)	—	(50,265)	(2,073)
Loss on debt extinguishment	3,649	—	—	—	3,649
Minority interest	—	—	(152)	—	(152)
Other (income)/expense, net	1,420	(2,536)	(483)	—	(1,599)
Other expense/(income), net	54,296	22,225	(395)	(50,265)	25,861
Income (loss) from continuing operations before income taxes, discontinued operations and cumulative effect of change in accounting principle	(55,579)	15,079	(1,862)	50,265	7,903
(Benefit) provision for income taxes	4,229	—	(404)	—	3,825
Income (loss) from continuing operations before dicontinued operations and cumulative effect of change in accounting principle	(59,808)	15,079	(1,458)	50,265	4,078
Reclassification adjustment from discontinued operations, net	—	50	—	—	50
Loss on discontinued operations	—	(20)	—	—	(20)
Cumulative effect of change in accounting principle, net	—	(63,916)	—	—	(63,916)
Net (loss) income	(59,808)	(48,807)	(1,458)	50,265	(59,808)
Preferred stock dividend	3,094	—	—	—	3,094
Net (loss) income available to common stockholders	$ (62,902)	$ (48,807)	$ (1,458)	$ 50,265	$ (62,902)

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FISCAL YEAR ENDED APRIL 30, 2004
(In thousands)

	Parent	Guarantors	Non - Guarantors	Elimination	Consolidated
Revenues	$ —	$ 430,952	$ 16,849	$ (9,840)	$ 437,961
Operating expenses:					
Cost of operations	(935)	282,437	14,166	(9,840)	285,828
General and administration	67	57,193	907	—	58,167
Depreciation and amortization	1,793	51,524	6,279	—	59,596
Impairment Charge	—	925	738	—	1,663
	925	392,079	22,090	(9,840)	405,254
Operating income (loss)	(925)	38,873	(5,241)	—	32,707
Other expense/(income), net:					
Interest income	(24,587)	(1,363)	(97)	25,796	(251)
Interest expense	25,745	25,363	188	(25,796)	25,500
(Income) loss from equity method investments	(8,715)	(2,261)	—	8,715	(2,261)
Other expense/(income), net:	(289)	6,338	(100)	—	5,949
Other expense/(income), net	(7,846)	28,077	(9)	8,715	28,937
Income (loss) from continuing operations before income taxes, discontinued operations and cumulative effect of of change in accounting principle	6,921	10,796	(5,232)	(8,715)	3,770
(Benefit) provision for income taxes	(1,184)	—	(438)	—	(1,622)
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	8,105	10,796	(4,794)	(8,715)	5,392
Loss from discontinued operations, net	—	(10)	—	—	(10)
Cumulative effect of change in accounting principle, net	—	2,518	205	—	2,723
Net income (loss)	8,105	13,304	(4,589)	(8,715)	8,105
Preferred stock dividend	3,252	—	—	—	3,252
Net income (loss) available to common stockholders	$ 4,853	$ 13,304	$ (4,589)	$ (8,715)	$ 4,853

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FISCAL YEAR ENDED APRIL 30, 2005
(In thousands)

	Parent	Guarantors	Non - Guarantors	Elimination	Consolidated
Revenues	$ —	$ 477,401	$ 14,429	$ (9,866)	$ 481,964
Operating expenses:					
Cost of operations	(187)	310,144	10,830	(9,866)	310,921
General and administration	506	62,095	1,077	—	63,678
Depreciation and amortization	1,621	58,642	5,374	—	65,637
Impairment charge	—	295	—	—	295
	1,940	431,176	17,281	(9,866)	440,531
Operating income (loss)	(1,940)	46,225	(2,852)	—	41,433
Other expense/(income), net:					
Interest income	(29,044)	(116)	(325)	29,032	(453)
Interest expense	30,812	27,932	132	(29,032)	29,844
(Income) loss from equity method investments	(17,841)	(2,883)	—	17,841	(2,883)
Loss on debt extinguishment	1,716	—	—	—	1,716
Other expense/(income), net:	(411)	686	(2)	—	273
Other expense/(income), net	(14,768)	25,619	(195)	17,841	28,497
Income (loss) from continuing operations before income taxes and discontinued operations	12,828	20,606	(2,657)	(17,841)	12,936
Provision for income taxes	5,559	—	166	—	5,725
Income (loss) from continuing operations before discontinued operations	7,269	20,606	(2,823)	(17,841)	7,211
Discontinued operations:					
Income from discontinued operations, net	—	140	—	—	140
Loss on disposal of discontinued operations, net	—	(82)	—	—	(82)
Net income (loss)	7,269	20,664	(2,823)	(17,841)	7,269
Preferred stock dividend	3,338	—	—	—	3,338
Net income (loss) available to common stockholders	$ 3,931	$ 20,664	$ (2,823)	$ (17,841)	$ 3,931

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FISCAL YEAR ENDED APRIL 30, 2003
(In thousands)

	Parent	Guarantors	Non- Guarantors	Elimination	Consolidated
Net Cash Provided by (Used in) Operating Activities	$ 3,947	$ 63,696	$ 2,534	$ (3,225)	$ 66,952
Cash Flows from Investing Activities:					
Acquisitions, net of cash acquired	—	(18,068)	—	—	(18,068)
Additions to property, plant and equipment	(369)	(39,509)	(2,047)	—	(41,925)
(Advances to) proceeds from unconsolidated entities	(5,329)	27	—	—	(5,302)
Other	—	2,087	—	—	2,087
Net Cash Used In Investing Activities	(5,698)	(55,463)	(2,047)	—	(63,208)
Cash Flows from Financing Activities:					
Proceeds from long-term borrowings	376,737	2,541	1,243	—	380,521
Principal payments on long-term debt	(354,558)	(5,902)	(1,445)	—	(361,905)
Deferred financing costs	(11,466)	—	—	—	(11,466)
Proceeds from exercise of stock options	460	—	—	—	460
Intercompany borrowings	1,126	(2,531)	(1,820)	3,225	—
Net Cash Provided by (Used in) Financing Activities	12,299	(5,892)	(2,022)	3,225	7,610
Net increase (decrease) in cash and cash equivalents	10,548	2,341	(1,535)	—	11,354
Cash and cash equivalents, beginning of period	(2,289)	4,274	2,313	—	4,298
Cash and cash equivalents, end of period	$ 8,259	$ 6,615	$ 778	$ —	$ 15,652

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FISCAL YEAR ENDED APRIL 30, 2004
(In thousands)

		Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net Cash Provided by Operating Activities		$ 1,560	$ 64,602	$ 3,736	$ —	$ 69,898
Cash Flows from Investing Activities:						
Acquisitions, net of cash acquired		—	(31,947)	—	—	(31,947)
Additions to property, plant and equipment	- growth	—	(10,271)	—	—	(10,271)
	- maintenance	(1,561)	(43,762)	(2,741)	—	(48,064)
Payments on landfill operating lease contracts		—	(32,223)	—	—	(32,223)
Proceeds from divestitures		—	4,984	—	—	4,984
Advances to unconsolidated entities		(7,332)	—	—	—	(7,332)
Other		—	1,195	—	—	1,195
Net Cash Used In Investing Activities		(8,893)	(112,024)	(2,741)	—	(123,658)
Cash Flows from Financing Activities:						
Proceeds from long-term borrowings		193,285	2,018	—	—	195,303
Principal payments on long-term debt		(146,626)	(2,667)	(1,269)	—	(150,562)
Deferred financing costs		(2,632)	—	—	—	(2,632)
Proceeds from exercise of stock options		4,006	—	—	—	4,006
Intercompany borrowings		(47,164)	47,270	(106)	—	—
Net Cash Provided by (Used in) Financing Activities		869	46,621	(1,375)	—	46,115
Net decrease in cash and cash equivalents		(6,464)	(801)	(380)	—	(7,645)
Cash and cash equivalents, beginning of period		8,259	6,615	778	—	15,652
Cash and cash equivalents, end of period		$ 1,795	$ 5,814	$ 398	$ —	$ 8,007

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FISCAL YEAR ENDED APRIL 30, 2005
(In thousands)

		Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net Cash Provided by (Used in) Operating Activities		$ (1,325)	$ 81,571	$ 2,788	$ —	$ 83,034
Cash Flows from Investing Activities:						
Acquisitions, net of cash acquired		—	(9,513)	—	—	(9,513)
Additions to property, plant and equipment	- growth	—	(24,723)	—	—	(24,723)
	- maintenance	(1,314)	(52,947)	(1,080)	—	(55,341)
Payments on landfill operating lease contracts		—	(20,276)	—	—	(20,276)
Proceeds from divestitures		—	3,050	—	—	3,050
Other		—	3,048	—	—	3,048
Net Cash Used In Investing Activities		(1,314)	(101,361)	(1,080)	—	(103,755)
Cash Flows from Financing Activities:						
Proceeds from long-term borrowings		318,900	—	—	—	318,900
Principal payments on long-term debt		(290,668)	(4,214)	(1,328)	—	(296,210)
Deferred financing costs		(3,051)	—	—	—	(3,051)
Proceeds from exercise of stock options		1,653	—	—	—	1,653
Intercompany borrowings		(28,373)	28,336	37	—	—
Net Cash Provided by (Used in) Financing Activities		(1,539)	24,122	(1,291)	—	21,292
Net increase (decrease) in cash and cash equivalents		(4,178)	4,332	417	—	571
Cash and cash equivalents, beginning of period		1,795	5,814	398	—	8,007
Cash and cash equivalents, end of period		$ (2,383)	$ 10,146	$ 815	$ —	$ 8,578

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of April 30, 2005. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Company's disclosure controls and procedures as of April 30, 2005, the Company's chief executive officer and chief financial officer concluded that, as of such date, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of April 30, 2005. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Based on our assessment, management concluded that, as of April 30, 2005, the Company's internal control over financial reporting is effective based on those criteria. The Company's management assessment of the effectiveness of the Company's internal control over financial reporting as of April 30, 2005 has been audited by PricewaterhouseCoopers, LLP, an independent registered accounting firm, as stated in their report included in Item 8 of this annual report on Form 10-K.

Changes in Internal Control

No change in the Company's internal control over financial reporting occurred during the fiscal quarter ended April 30, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

Items 10, 11, 12, 13 and 14 of Part III (except for information required with respect to executive officers of the Company which is set forth under "Executive Officers and Other Key Employees of the Company" in Item 1 of Part I of this Annual Report on Form 10-K and with respect to equity compensation plan information which is set forth under "Equity Compensation Plan Information" below) have been omitted from this Annual Report on Form 10-K, since the Company expects to file with the Securities and Exchange Commission, not later than 120 days after the close of its fiscal year, a definitive proxy statement. The information required by Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K, which will appear in the definitive proxy statement, is incorporated by reference into Part III of this Annual Report on Form 10-K.

Equity Compensation Plan Information

The following table shows information about the securities authorized for issuance under the Company's equity compensation plans as of April 30, 2005:

	(a)	(b)	(c)
Plan Category	**Number of securities to be issued upon exercise of outstanding options and warrants (1)**	**Weighted-average exercise price of outstanding options and warrants**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (2)**
Equity compensation plans approved by security holders	3,379,627	$ 12.93	1,866,248(3)
Equity compensation plans not approved by security holders	—	$ —	—

(1) This table excludes an aggregate of 36,073 shares issuable upon exercise of outstanding options assumed by the Company in connection with its acquisition of KTI, Inc. The weighted average exercise price of the excluded options is $21.52

(2) In addition to being available for future issuance upon exercise of options that may be granted after April 30, 2005, 1,390,056 shares under the Company's Amended and Restated 1997 Stock Incentive Plan, of the 1,866,248 reflected in column (c), may instead be issued in the form of restricted stock or other equity-based awards.

(3) Includes 437,692 shares issuable under the Company's 1997 Employee Stock Purchase Plan.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Consolidated Financial Statements included under Item 8:
Report of Independent Public Accountants
Consolidated Balance Sheets as of April 30, 2004 and 2005
Consolidated Statements of Operations for the fiscal years ended April 30, 2003, 2004, and 2005.
Consolidated Statements of Stockholders' Equity for the fiscal years ended April 30 2003, 2004, and 2005.
Consolidated Statements of Cash Flows for the fiscal years ended April 30, 2003, 2004, and 2005.
Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules:
Schedule II - Valuation and Qualifying Accounts

(a)(3) Exhibits:
The Exhibits that are filed as part of this Annual Report on Form 10-K or that are incorporated by reference herein are set forth in the Exhibit Index hereto.

(b) The Exhibits that are filed as part of this Annual Report on Form 10-K or that are incorporated by reference herein are set forth in the Exhibit Index hereto.

(c) The Exhibits that are filed as part of this Annual Report on Form 10-K are set forth in the Exhibit Index hereto.

SIGNATURES

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

CASELLA WASTE SYSTEMS, INC.

Dated: June 28, 2005

/s/ John W. Casella
John W. Casella
By: *Chairman and Chief Executive Officer*
Date:

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

Signature	Title	Date
/s/ John W. Casella John W. Casella	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	June 28, 2005
s/ James W. Bohlig James W. Bohlig	President and Chief Operating Officer, Director	June 28, 2005
/s/ Richard A. Norris Richard A. Norris	Senior Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)	June 28, 2005
/s/ Douglas R. Casella Douglas R. Casella	Director	June 28, 2005
/s/ John F. Chapple III John F. Chapple III	Director	June 28, 2005
/s/ Gregory B. Peters Gregory B. Peters	Director	June 28, 2005
/s/ James F. Callahan, Jr. James F. Callahan, Jr.	Director	June 28, 2005
/s/ D. Randolph Peeler D. Randolph Peeler	Director	June 28, 2005
/s/ Joseph G. Doody Joseph G. Doody	Director	June 28, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FINANCIAL STATEMENT SCHEDULE

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

Our audits of the consolidated financial statements, of management's assessment of the effectiveness of internal control over financial reporting and of the effectiveness of internal control over financial reporting referred to in our report dated June , 2005 appearing in this Annual Report on Form 10-K also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
June 27, 2005

FINANCIAL STATEMENT SCHEDULES

Schedule II
Valuation Accounts

Allowance for Doubtful Accounts
(in thousands)

	Fiscal Year Ended April 30,		
	2003	2004	2005
Balance at beginning of period	$ 821	$ 895	$ 583
Additions - Charged to expense	798	1,524	1,115
Deductions - Bad debts written off, net of recoveries (1)	(724)	(1,836)	(991)
Balance at end of period	$ 895	$ 583	$ 707

(1) Compared to fiscal year 2003, bad debt expense increased in fiscal year 2004 mainly due to several large customer bankruptcies, as well as poorer than anticipated collection experience from three recently acquired businesses

Restructuring
(in thousands)

	Fiscal year Ended April 30,		
	2003	2004	2005
Balance at beginning of period	$ 37	$ —	$ —
Additions - Charged to expense	—	—	—
Deductions - Amounts paid	(37)	—	—
Balance at end of period	$ —	$ —	$ —

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger dated as of January 12, 1999 and as amended by Amendments No. 1, 2 and 3 thereto, among Casella Waste Systems, Inc. ("Casella"), KTI, Inc. ("KTI") and Rutland Acquisition Sub, Inc. (incorporated herein by reference to Annex A to the registration statement on Form S-4 as filed November 12, 1999 (file no. 333-90913)).
3.1	Amended and Restated Certificate of Incorporation of Casella (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form S-8 of Casella as filed November 18, 1998 (file no. 333-67487)).
3.3	Second Amended and Restated By-Laws of Casella (incorporated herein by reference to Exhibit 3.1 to the current report on Form 8-K of Casella as filed August 18, 2000 (file no. 000-23211)).
4.1	Form of stock certificate of Casella Class A common stock (incorporated herein by reference to Exhibit 4 to Amendment No. 2 to the registration statement on Form S-1 of Casella as filed October 9, 1997 (file no. 333-33135)).
4.2	Certificate of Designation creating Series A Convertible Preferred Stock (incorporated herein by reference to Exhibit 4.1 to the current report on Form 8-K of Casella as filed August 18, 2000 (file no. 000-23211)).
4.3	Indenture, dated January 24, 2003, by and among Casella Waste Systems, Inc., the Guarantors named therein and U.S. Bank National Association, as Trustee, relating to the 9.75% Senior Subordinated Notes due 2013, including the form of 9.75% Senior Subordinated Note (incorporated by reference to Exhibit 4.1 to the current report on Form 8-K of Casella as filed January 24, 2003 (file no. 000-23211)).
4.4	Exchange and Registration Rights Agreement, dated January 21, 2003, by and among Casella Waste Systems, Inc., the Guarantors listed therein and Purchasers listed therein, relating to the 9.75% Senior Subordinated Notes due 2013 (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form S-4 of Casella as filed on February 11, 2003 (file no. 333-103106)).
10.1	1993 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.2	1994 Nonstatutory Stock Option Plan (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.3	1996 Stock Option Plan (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.4	1997 Non-Employee Director Stock Option Plan (incorporated herein by reference to Exhibit 10.5 to Amendment No. 1 to the registration statement on Form S-1 of Casella as filed September 24, 1997 (file no. 333-33135)).
10.5	Amended and Restated 1997 Stock Incentive Plan (incorporated herein by reference to the Definitive Proxy Statement on Schedule 14A of Casella as filed September 21, 1998).
10.6	1995 Registration Rights Agreement between Casella and the stockholders who are a party thereto, dated as of December 22, 1995 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.7	Warrant to Purchase Common Stock of Casella 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 registration statement on Form S-1 of Casella as filed September 24, 1997 (file no. 333-33135)).
10.8	Warrant to Purchase Common Stock of Casella 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 registration statement on Form S-1 of Casella as filed September 24, 1997 (file no. 333-33135)).
10.9	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 registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.10	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 registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).

10.11	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 registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.12	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 registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.13	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 registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.14	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 registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.15	Amendment No. 2 to Lease Agreement, by and between Casella Associates and Casella Waste Management, Inc., dated as of November 20, 1997 (Rutland lease). (incorporated herein by reference to Exhibit 10.25 to the registration statement on Form S-1 of Casella as filed on June 25, 1998 (file no. 333-57745)).
10.16	Amendment No. 1 to Stock Option Agreement, dated as of May 12, 1999, by and between KTI, Inc. and the Registrant (incorporated herein by reference to the current report on Form 8-K of Casella as filed May 13, 1999 (file no.000-23211)).
10.17	Power Purchase Agreement between Maine Energy Recovery Company and Central Maine Power Company dated January 12, 1984, as amended (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form S-4 of KTI as filed October 18, 1994 (file no. 33-85234)).
10.18	Host Municipalities' Waste Handling Agreement among Biddeford-Saco Solid Waste Committee, City of Biddeford, City of Saco and Maine Energy Recovery Company dated June 7, 1991 (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form S-4 of KTI as filed October 18, 1994 (file no. 33-85234)).
10.19	Form of Maine Energy Recovery Company Waste Handling Agreement (Town of North Berwick) dated June 7, 1991 and Schedule of Substantially Identical Waste Disposal Agreements (incorporated herein by reference to Exhibit 10.11 to the registration statement on Form S-4 of KTI as filed October 18, 1994 (file no. 33-85234)).
10.20	Third Amendment to Power Purchase Agreement between Maine Energy Recovery Company, L.P. and Central Maine Power Company dated November 6, 1995. (incorporated herein by reference to Exhibit 10.38 to the registration statement on Form S-4 as filed November 12, 1999 (file no. 333-90913)).
10.21	Non-Exclusive License to Use Technology between KTI and Oakhurst Technology, Inc. dated December 29, 1998 (incorporated herein by reference to Exhibit 4.5 to the current report on Form 8-K of KTI as filed January 15, 1999 (file no. 000-25490)).
10.22	Management Compensation Agreement between Casella Waste Systems, Inc. and John W. Casella dated December 8, 1999 (incorporated herein by reference to Exhibit 10.43 to the annual report on Form 10-K of Casella as filed August 4, 2000 (file no. 000-23211)).
10.23	Management Compensation Agreement between Casella Waste Systems, Inc. and James W. Bohlig dated December 8, 1999 (incorporated herein by reference to Exhibit 10.44 to the annual report on Form 10-K of Casella as filed August 4, 2000 (file no. 000-23211)).
10.24	Preferred Stock Purchase Agreement, dated as of June 28, 2000, by and among the Company and the Purchasers identified therein (incorporated herein by reference to Exhibit 10.1 to the current report on Form 8-K of Casella as filed August 18, 2000 (file no. 000-23211)).
10.25	Registration Rights Agreement, dated as of August 11, 2000, by and among the Company and the Purchasers identified therein (incorporated herein by reference to Exhibit 10.2 to the current report on Form 8-K of Casella as filed August 18, 2000 (file no. 000-23211)).
10.26	KTI, Inc. 1994 Long-Term Incentive Award Plan (incorporated herein by reference to Exhibit (d)(3) to the Schedule TO of Casella as filed July 2, 2001 (file no. 000-23211)).
10.27	KTI, Inc. Non-Plan Stock Option Terms and Conditions (incorporated herein by reference to Exhibit (d)(4) to the Schedule TO of Casella as filed July 2, 2001 (file no. 000-23211)).
10.28	Management Compensation Agreement between Casella Waste Systems, Inc. and Charles E. Leonard dated June 18, 2001 (incorporated herein by reference to Exhibit 10.39 to the annual report on Form 10-K of Casella as filed on July 12, 2002 (file no. 000-23211)).

10.29	Management Compensation Agreement between Casella Waste Systems, Inc. and Richard Norris dated July 20, 2001 (incorporated herein by reference to Exhibit 10.40 to the annual report on Form 10-K of Casella as filed on July 12, 2002 (file no. 000-23211)).
10.30	US GreenFiber LLC Limited Liability Company Agreement, dated June 26, 2000, between U.S. Fiber, Inc. and Greenstone Industries, Inc. (incorporated herein by reference to Exhibit 10.41 to the annual report on Form 10-K of Casella as filed on July 12, 2002 (file no. 000-23211)).
10.31	Purchase Agreement, dated August 17, 2001, by and among Crumb Rubber Investors Co., LLC, Casella Waste Systems, Inc. and KTI Environmental Group, Inc. (incorporated herein by reference to Exhibit 10.42 to the annual report on Form 10-K of Casella as filed on July 12, 2002 (file no. 000-23211)).
10.32	Purchase Agreement, dated August 17, 2001, by and among New Heights Holding Corporation, KTI, Inc., KTI Operations, Inc. and Casella Waste Systems, Inc. (incorporated herein by reference to Exhibit 10.43 to the annual report on Form 10-K of Casella as filed on July 12, 2002 (file no. 000-23211)).
10.33	Form of Non-Plan Non-Statutory Stock Option Agreement as issued by Casella Waste Systems, Inc. to certain individuals as of May 25, 1994 (incorporated herein by reference to Exhibit 10.44 to the annual report on Form 10-K of Casella as filed on July 12, 2002 (file no. 000-23211)).
10.34	Second Amended and Restated Revolving Credit and Term Loan Agreement, dated January 24, 2003, by and among Casella Waste Systems, Inc. and its Subsidiaries (other than Excluded Subsidiaries), the lending institutions party thereto and Fleet National Bank, individually and as administrative agent, and Bank of America, N.A., individually and as syndication agent, with Fleet Securities, Inc. and Banc of American Securities LLC acting as Co-Arrangers (incorporated herein by reference to Exhibit 10.1 to the quarterly report on Form 10-Q of Casella Waste Systems Inc. as filed September 12, 2003 (file no. 000-23211)).
10.35	Construction, Operation and Management Agreement between New England Waste Services of Massachusetts, Inc. and the Town of Templeton, Massachusetts (incorporated herein by reference to Exhibit 10.35 to the annual report on Form 10-K of Casella as filed on July 24, 2003 (file no. 000-23211)).
10.36	Amendment No. 1 and Release to Second Amended and Restated Revolving Credit and Term Loan Agreement (incorporated herein by reference to Exhibit 10.36 to the annual report on Form 10-K of Casella as filed on July 24, 2003 (file no. 000-23211)).
10.37	Amendment No. 2 to Second Amended and Restated Revolving Credit and Term Loan Agreement (incorporated by reference to Exhibit 10.2 to the quarterly report on Form 10-Q of Casella Waste Systems, Inc. as filed on September 12, 2003 (file no. 000-23211)).
10.38	Amendment No. 3 and Consent to Certain Acquisitions to Second Amended and Restated Revolving Credit and Term Loan Agreement (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form S-4 of Casella Waste Systems, Inc. as filed on February 20, 2004 (file no. 000-23211)).
10.39	Joinder Agreement to Second Amended and Restated Revolving Credit and Term Loan Agreement (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form S-4 of Casella Waste Systems, Inc. as filed on February 20, 2004 (file no. 000-23211)).
10.40	Amendment No. 4 to Second Amended and Restated Revolving Credit and Term Loan Agreement. (incorporated herein by reference to Exhibit 10.40 to the annual report on Form 10-K of Casella as filed on June 25, 2004 (file no. 000-23211)).
10.41	Summary of compensatory arrangements including cash bonus arrangement, and salaries and other compensatory terms for executive officers (incorporated herein by reference to the current report on Form 8-K of Casella as filed on June 21, 2005 (file no. 000-23211)).
10.42	Summary of compensating arrangements for non-employee directors (incorporated herein by reference to the current report on Form 8-K of Casella as filed on March 8, 2005 (file no. 000-23211)).
10.43	Amended and Restated Revolving Credit Agreement, dated April 28, 2005, by and among Casella Waste Systems, Inc. and its Subsidiaries (other than Excluded Subsidiaries), the lending institutions party thereto and Bank of America, N.A., individually and as administrative agent, and Bank of America Securities LLC, as sole arranger and sole book manager, with Citizens Bank, as syndication agent and Sovereign Bank, Wachovia Bank and Calyon New York Branch, as co-documentation agents.
21.1	Subsidiaries of Casella Waste Systems, Inc.
23.1	Consent of PricewaterhouseCoopers LLP.
23.2	Consent of PricewaterhouseCoopers LLP on Financial Statements of US GreenFiber, LLC.
31.1	Certification of Principal Executive Officer required by Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer required by Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Financial Statements of US GreenFiber, LLC

Exhibit 10.43

Published CUSIP Number: 14745GAD7

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

Dated as of April 28, 2005

among

CASELLA WASTE SYSTEMS, INC.
and its Subsidiaries
(other than Excluded Subsidiaries and the Non-Borrower Subsidiaries)
as the Borrowers,

BANK OF AMERICA, N.A.
as Administrative Agent, Swing Line Lender
and
L/C Issuer,

and

The Other Lenders Party Hereto

BANC OF AMERICA SECURITIES LLC
as Sole Lead Arranger and Sole Book Manager

CITIZENS BANK
as Syndication Agent

and

SOVEREIGN BANK
WACHOVIA BANK
and
CALYON NEW YORK BRANCH
as Co-Documentation Agents

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Section

SCHEDULES

EXHIBITS

Form of

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

This AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this "Agreement") is entered into as of April 28, 2005 by and among CASELLA WASTE SYSTEMS INC., a Delaware corporation (the "Parent"), its Subsidiaries (other than the Excluded Subsidiaries and the Non-Borrower Subsidiaries) listed on Schedule 1 hereto (the Parent and such Subsidiaries herein collectively referred to as the "Borrowers"), each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender"), and BANK OF AMERICA, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.

WHEREAS, the Borrowers, Fleet National Bank as the Administrative Agent and certain lending institutions are parties to that certain Second Amended and Restated Revolving Credit and Term Loan Agreement dated as of January 24, 2003 (as amended, the "Existing Credit Agreement"), pursuant to which the lenders thereunder have made loans and other extensions of credit (the "Existing Loans") to the Borrowers;

WHEREAS, the Borrowers have requested, among other things, that the Lenders amend and restate the Existing Credit Agreement, and the Lenders are willing to do so on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree that on the Closing Date, the Existing Credit Agreement shall be amended and restated in its entirety by this Agreement, the terms of which are as follows:

ARTICLE I.
DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Acceding Lender" has the meaning set forth in Section 2.14 hereof.

"Accountants" has the meaning set forth in Section 5.05(a) hereof.

"Acquired Business" means a business acquired by any Borrower, whether through asset or stock purchases, merger, consolidation or otherwise, during the period reported in the most recent financial statements delivered to the Lenders pursuant to Section 6.04 hereof.

"Administrative Agent" means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify to the Borrowers and the Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Commitments" means the Commitments of the Lenders, as in effect from time to time, which amount shall initially equal $350,000,000, as such amount may be reduced or increased pursuant to the terms hereof.

"Agreement" means this Amended and Restated Credit Agreement.

"Applicable Laws" has the meaning set forth in Section 6.10.

"Applicable Percentage" means, as the context requires, with respect to any Lender as of any date, such Lender's portion of and participating interest in, calculated as a percentage (carried out to the ninth decimal place), of either (a) the sum of (i) the outstanding principal amount of all Committed Loans on such date, plus (ii) the aggregate principal amount of all Swing Line Loans on such date, plus (iii) all L/C Obligations on such date (collectively, the "Revolving Percentage"), or (b) if applicable, the outstanding principal amount of the Term B Loan (the "Term B Loan Percentage"). If the Commitment of any Lender to make Committed Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.02 or if the Aggregate Commitments have expired, then the Revolving Percentage of each Lender shall be determined based on the Revolving Percentage of such Lender most recently in effect, giving effect to any subsequent assignments. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption or Instrument of Accession, as the case may be, pursuant to which such Lender becomes a party hereto, as applicable.

"Applicable Rate" means the following percentages per annum, based upon the Ratio of Consolidated Total Funded Debt to Consolidated EBITDA as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.04(c):

Applicable Rate

Level	Ratio of Consolidated Total Funded Debt to Consolidated EBITDA	Base Rate Loans	Eurodollar Rate Loans	Commitment Fee
I	Less than 2.75:1.0	0.00%	1.50%	0.375%
II	Greater than or equal to 2.75:1.0 and less than 3.25:1.0	0.00%	1.75%	0.375%
III	Greater than or equal to 3.25:1.0 and less than 3.75:1.0	0.25%	2.00%	0.500%
IV	Greater than or equal to 3.75:1.0 and less than 4.25:1.0	0.50%	2.25%	0.500%
V	Greater than or equal to 4.25:1.0	0.50%	2.50%	0.500%

Any increase or decrease in the Applicable Rate resulting from a change in the ratio of Consolidated Total Funded Debt to Consolidated EBITDA shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.04(c); provided, however, that if a Compliance Certificate is not delivered within ten (10) days after the time periods specified in such Section, then Pricing Level V shall apply as of the first Business Day thereafter, subject to prospective adjustment upon actual receipt of such Compliance Certificate. The Applicable Rate in effect from the Closing Date through the First Business Day after receipt of the first Compliance Certificate required to be delivered after the Closing Date shall be Pricing Level III.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arranger" means Banc of America Securities LLC, in its capacity as sole lead arranger and sole book manager.

"Assignee Group" means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit E or any other form approved by the Administrative Agent.

"Attributable Indebtedness" means, on any date, (a) in respect of any Capitalized Leases of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any obligations under Synthetic Leases, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a Capitalized Leases.

"Audited Financial Statements" means the audited consolidated balance sheet of the Parent and its Subsidiaries for the fiscal year ended April 30, 2004**,** and the related consolidated statements of operations and cash flows for such fiscal year, including the notes thereto.

"Availability Period" means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Commitments in full pursuant to Section 2.06, and (c) the date of termination of the Commitment of each Lender to make Loans and of the obligation of the L/C Issuer to make L/C Credit Extensions pursuant to Section 8.02.

"Balance Sheet Date" means April 30, 2004.

"Bank of America" means Bank of America, N.A. and its successors.

"Base Rate" means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate." The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Committed Loan" means a Committed Loan that is a Base Rate Loan.

"Base Rate Loan" means a Loan that bears interest based on the Base Rate.

"Benefit Amount" has the meaning specified in Section 10.12(f) hereto.

"Borrowers" has the meaning specified in the introductory paragraph hereto.

"Borrowers Materials" has the meaning specified in Section 6.02.

"Borrowing" means a Committed Borrowing, a Swing Line Borrowing, or the Term B Loan Borrowing, as the context may require.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Applicable Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

"Capital Assets" means fixed assets, both tangible (such as land, buildings, fixtures, machinery and equipment) and intangible (such as patents, copyrights, trademarks, franchises and goodwill); 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" means amounts paid or Indebtedness incurred by any Person in connection with (a) the purchase or 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 or (b) the lease of any assets by such Person as lessee under any Synthetic Lease to the extent that such assets would have been Capital Assets had the Synthetic Lease been treated for accounting purposes as a Capitalized Lease; provided that solely for purposes of this definition of Capital Expenditures, Capital Assets shall not include (a) landfill operating and management leases (even if required to be capitalized under GAAP), and (b) any item obtained through a Permitted Acquisition.

"Capitalized Leases" means leases under which any Borrower is the lessee or obligor, the discounted future rental payment obligations under which are required to be capitalized on the balance sheet of the lessee or obligor in accordance with GAAP.

"Cash Collateralize" has the meaning specified in Section 2.03(g).

"Cellulose Joint Venture" means the joint venture between U.S. Fiber and Greenstone Industries, Inc. with respect to the cellulose fibers business, including the manufacturing, marketing and selling of insulation and other cellulose-based products.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"Closing Date" means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 10.01.

"Code" means the Internal Revenue Code of 1986.

"Collateral" means 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.

"Commitment" means, as to each Lender, its obligation to (a) make Committed Loans to the Borrower pursuant to Section 2.01, (b) purchase participations in L/C Obligations, and (c) purchase participations in Swing Line Loans, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"Committed Borrowing" means a Borrowing consisting of simultaneous Committed Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period, made by the Lenders pursuant to Section 2.01 or Section 2.14.

"Committed Loan" has the meaning specified in Section 2.01.

"Committed Loan Notice" means a notice of (a) a Committed Borrowing, (b) a conversion of Committed Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A.

"Compliance Certificate" means a certificate substantially in the form of Exhibit D.

"Conforming Amendment" has the meaning set forth in Section 2.14 hereof.

"Consolidated Adjusted Net Income" means, for any period, Consolidated Net Income (or Loss) plus, to the extent deducted and without duplication, (a) adjustments for non-cash, non-recurring charges related to losses from asset impairment charges or resulting from sales of the Specified Entities or their assets up to an aggregate amount of $15,000,000, (b) the non-recurring, non-cash write-off of debt issuance expenses related to the refinancing of Indebtedness under the Existing Credit Agreement, such write-off not to exceed $4,000,000; and (c) charges incurred by the Borrowers in connection with unsuccessful landfill developments up to an aggregate of $3,000,000.

"Consolidated EBITDA" means, for any period, Consolidated Adjusted Net Income plus, to the extent that such charge was deducted in determining Consolidated Adjusted Net Income in the relevant period and without duplication, (a) interest expense for such period; (b) income taxes for such period; (c) amortization expense for such period; and (d) depreciation expense for such period. For all purposes other than calculating the financial covenant set forth in Section 7.11(a) hereof, the Borrowers may include in Consolidated EBITDA the EBITDA for the prior twelve (12) months of companies acquired by the Borrowers during the respective reporting period (without duplication with respect to the adjustments set forth above) only if (A) the financial statements of such Acquired Business or New Subsidiary have been audited, for the period sought to be included, by an independent accounting firm satisfactory to the Administrative Agent, or (B) the Administrative Agent consents to such inclusion after being furnished with other acceptable financial statements. Furthermore, EBITDA may be further adjusted (other than when calculating the financial covenant set forth in Section 7.11(a) hereof) to add-back non-recurring private company expenses which are discontinued upon such acquisition (such as owner's compensation), as approved by the Administrative Agent. Simultaneously with the delivery of the financial statements referred to in (A) and (B) above, a Responsible Officer of the Borrowers shall deliver to the Administrative Agent a Compliance Certificate and appropriate documentation certifying the historical operating results, adjustments and balance sheet of the Acquired Business.

"Consolidated Net Income (or Loss)" means the consolidated net income (or loss) of the Parent and its Subsidiaries after deduction of all expenses, taxes, and other proper charges determined in accordance with GAAP, less, to the extent included therein, (i) gains from

extraordinary items, (ii) any income from discontinued operations, and (iii) income attributable to any Investment in any Excluded Subsidiaries; provided, however, that consolidated net income shall not be reduced pursuant to this clause (iii) by actual cash dividends or distributions received from any Excluded Subsidiary.

"Consolidated Net Worth" means the excess of Consolidated Total Assets over Consolidated Total Liabilities plus, without duplication, the liquidation value of the issued and outstanding Series A Preferred Stock less, to the extent otherwise includable in the computations of Consolidated Net Worth, any subscriptions receivable; provided that, commencing on the first day of the second fiscal quarter of the Borrowers commencing on or about August 1, 2006, the liquidation value of the issued and outstanding Series A Preferred Stock shall not be included in the calculation of Consolidated Net Worth.

"Consolidated Senior Funded Debt" means, at any time of determination, (a) Consolidated Total Funded Debt minus (b) Subordinated Debt outstanding as of such date plus (c) any and all scheduled principal payments in respect of Seller Subordinated Debt that will become due and payable during the next successive period of four fiscal quarters.

"Consolidated Total Assets" means the sum of all assets ("consolidated balance sheet assets") of the Parent and its Subsidiaries determined on a consolidated basis in accordance with GAAP, exclusive, without duplication, of Equity Interests in and the assets of the Excluded Subsidiaries.

"Consolidated Total Funded Debt" means, at any time of determination with respect to the Borrowers, collectively, without duplication, whether classified as Indebtedness or otherwise on the consolidated balance sheet of the Borrowers, (a) the aggregate amount of Indebtedness for (i) borrowed money or credit obtained or other similar monetary obligations, direct or indirect, (including any unpaid reimbursement obligations with respect to letters of credit, but excluding any contingent obligations with respect to letters of credit outstanding), (ii) all obligations evidenced by notes, bonds, debentures or other similar debt instruments (other than Performance Bonds), (iii) the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business and holdbacks), (iv) all obligations, liabilities and Indebtedness under Capitalized Leases and Synthetic Leases which correspond to principal, including, without limitation, Indebtedness with respect to capitalization of landfill operating contract obligations, to the extent capitalized under GAAP, plus (b) Indebtedness of the type referred to in clause (a) of another Person guaranteed by the any of the Borrowers, plus (c) commencing on the first day of the second fiscal quarter of the Borrowers commencing on or about August 1, 2006, the liquidation value of the Series A Preferred Stock.

"Consolidated Total Interest Expense" means, 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, whether such interest was or is required to be reflected as an item of expense or capitalized, including payments consisting of interest in respect of any Capitalized Lease or any Synthetic Lease, and including commitment fees, agency fees, balance deficiency fees and similar fees or expenses for such period in connection with the borrowing of money, but excluding therefrom (a) the non-cash amortization of debt issuance costs and (b) the write-off of deferred financing fees and

charges in connection with the repayment of any Indebtedness and in connection with the Existing Credit Agreement, in each case, that are classified as interest under GAAP.

"Consolidated Total Liabilities" means all liabilities of the Parent and its Subsidiaries determined on a consolidated basis in accordance with GAAP, exclusive of the liabilities of the Excluded Subsidiaries which are non-recourse to the Borrowers.

"Consulting Engineer" means an environmental consulting firm reasonably acceptable to the Administrative Agent.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Extension" means each of the following: (a) a Borrowing and (b) an L/C Credit Extension.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Default Rate" means (a) when used with respect to Obligations other than Letter of Credit Fees, an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans plus (iii) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum, and (b) when used with respect to Letter of Credit Fees, a rate equal to the Applicable Rate plus 2% per annum.

"Defaulting Lender" means any Lender that (a) has failed to fund any portion of the Committed Loans, participations in L/C Obligations or participations in Swing Line Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"De Minimis Subsidiaries" means any Subsidiary of the Parent whose assets and annual gross revenues do not, in each case, exceed $1,000,000; provided that (i) the aggregate assets of all such Subsidiaries taken as a whole shall not exceed $2,000,000, and (ii) the aggregate annual gross revenues of all such Subsidiaries taken as a whole shall not exceed $2,000,000.

"Disposition" or "Dispose" means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

"Distribution" means 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, defeasance, retirement or other acquisition of any shares of any class of capital stock of such Person, directly or indirectly through a Subsidiary of such Person or otherwise and whether in the form of increases in the liquidation value of such shares or otherwise (including the setting apart of assets for a sinking or other analogous fund to be used for such purpose); 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.

"Dollar" and "$" mean lawful money of the United States.

"Domestic Subsidiary" means any Subsidiary that is organized under the laws of any political subdivision of the United States.

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, the L/C Issuer and the Swing Line Lender in the case of clause (d) of this definition, and (ii) unless an Event of Default has occurred or is continuing, the Borrower (A) with respect to clauses (a), (b) or (c) of this definition (unless such assignment would not result in increased costs to the Borrowers hereunder), or (B) with respect to clause (d) of this definition (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include any of the Borrowers or any of the Borrowers' Affiliates or Subsidiaries.

"Employee Benefit Plan" means 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 Guaranteed Pension Plan or a Multiemployer Plan.

"Environmental Compliance Certificate" means a certificate specifying the nature of a Default or Event of Default relating to an Environmental matter, the period of existence thereof and what action the Borrowers propose to take with respect thereto.

"Environmental Laws" has the meaning set forth in Section 5.16(a) hereof.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities) of any of the Borrowers directly or indirectly resulting from or based upon (a) violation of any

Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Interests" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any Person which is treated as a single employer with any Borrower under §414 of the Code.

"ERISA Reportable Event" means 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.

"Eurodollar Rate" means, for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the "Eurodollar Rate" for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the London interbank eurodollar market at its request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

"Eurodollar Rate Loan" means a Loan that bears interest at a rate based on the Eurodollar Rate.

"Event of Default" has the meaning specified in Section 8.01.

"Excluded Subsidiaries" means any Subsidiary and any joint venture, partnership or other Person in which the Parent or a Subsidiary has a minority ownership interest, which in each case is designated as an "Excluded Subsidiary" and listed on Schedule 5.13(a) and any other Person

from time to time designated by the Parent as an "Excluded Subsidiary;" provided, that the Parent may not designate a Person as an "Excluded Subsidiary" if (a) the Investment made in such Person, together with all Investments made in other Excluded Subsidiaries would exceed that permitted by Section 7.02 hereof, or (b) such Person would be required to be a guarantor of the Subordinated Debt.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the L/C Issuer or any other recipient of any payment to be made by or on account of any obligation of the Borrowers hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which any of the Borrowers is located and (c) in the case of a Non-U.S. Lender (other than an assignee pursuant to a request by the Borrower under Section 10.14), any withholding tax that is imposed on amounts payable to such Non-U.S. Lender at the time such Non-U.S. Lender becomes a party hereto (or designates a new lending office) or is attributable to such Non-U.S. Lender's failure or inability (other than as a result of a Change in Law after such Non-U.S. Lender becomes a party hereto) to comply with Section 3.01(b).

"Existing Credit Agreement" has the meaning specified in the introductory paragraph hereto.

"Existing Letters of Credit" means all "Letters of Credit" (as defined in the Existing Credit Agreement) set forth in Exhibit I hereto.

"FCR" means FCR, Inc., a Delaware corporation and a wholly-owned Subsidiary of KTI.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

"Fee Letter" means the letter agreement, dated March 21, 2005, among the Borrowers, the Administrative Agent and the Arranger.

"Financial L/C(s)" means Letter(s) of Credit where the event which triggers payment is financial, such as the failure to pay money, and not performance related, such as failure to ship a product or provide a service, as set forth in greater detail in the letter dated March 30, 1995 from

the Board of Governors of the Federal Reserve System or in any applicable directive or letter ruling of the Board of Governors of the Federal Reserve System issued subsequent thereto.

"Financial L/C Fee" has the meaning specified in Section 2.3(i)(i) hereto.

"Foreign Subsidiary" means each Subsidiary of any Borrower (whether direct or indirect, existing on the date hereof or acquired or formed hereafter in accordance with the provisions hereof) which is incorporated under the laws of a jurisdiction other than a State or other jurisdiction of the United States of America.

"FRB" means the Board of Governors of the Federal Reserve System of the United States.

"Fronting Fee" has the meaning specified in Section 2.03(i)(iii) hereto.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Greenfiber" means U.S. GreenFiber LLC, a Delaware limited liability company in which U.S. Fiber owns a 50% Equity Interest and through which the Cellulose Joint Venture is conducted.

"Guaranteed Pension Plan" means 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 Materials" means 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 waste, hazardous waste, dangerous goods, contaminants, pollutants, toxic substance, oil or hazardous materials or other chemicals or substances regulated by any Environmental Laws.

"Increase Closing Date" has the meaning set forth in Section 2.14 hereof.

"Indebtedness" means, as to any Person and whether recourse is secured by or is otherwise available against all or only a portion of the assets of such Person and whether or not contingent, but without duplication:

(a) every obligation of such Person for money borrowed,

(b) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses,

(c) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person,

(d) every obligation of such Person issued or assumed as the deferred purchase price of property or services (including securities repurchase agreements but excluding (x) trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue in accordance with their terms or the Borrowers' normal or ordinary business practices or which are being contested in good faith and holdbacks, and (y) guaranteed or contingent royalty payments made in connection with the purchase or operation of landfills and other types of disposal facilities),

(e) every obligation of such Person under any Capitalized Lease,

(f) every obligation of such Person under any Synthetic Lease,

(g) all sales by such Person of (i) accounts or general intangibles for money due or to become due, (ii) chattel paper, instruments or documents creating or evidencing a right to payment of money or (iii) other receivables (collectively "receivables"), whether pursuant to a purchase facility or otherwise, other than in connection with the disposition of the business operations of such Person relating thereto or a disposition of defaulted receivables for collection and not as a financing arrangement, and together with any obligation of such Person to pay any discount, interest, fees, indemnities, penalties, recourse, expenses or other amounts in connection therewith,

(h) every obligation of such Person (an "equity related purchase obligation") to purchase, redeem, retire or otherwise acquire for value any Equity Interests of any class issued by such Person, any warrants, options or other rights to acquire any such shares, or any rights measured by the value of such shares, warrants, options or other rights,

(i) every obligation of such Person under Swap Contracts,

(j) every obligation in respect of Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent that such Person is liable therefor as a result of such Person's ownership interest in or other relationship

with such entity, except to the extent that the terms of such Indebtedness provide that such Person is not liable therefor and such terms are enforceable under Applicable Law,

(k) every obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guarantying or otherwise acting as surety for, any obligation of a type described in any of clauses (a) through (j) (the "primary obligation") of another Person (the "primary obligor"), in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person (i) to purchase or pay (or advance or supply funds for the purchase of) any security for the payment of such primary obligation, (ii) to purchase property, securities or services for the purpose of assuring the payment of such primary obligation, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such primary obligation.

The "amount" or "principal amount" of any Indebtedness at any time of determination represented by (t) any Indebtedness, issued at a price that is less than the principal amount at maturity thereof, shall be the amount of the liability in respect thereof determined in accordance with GAAP, (u) any Capitalized Lease shall be the principal component of the aggregate of the rentals obligation under such Capitalized Lease payable over the term thereof that is not subject to termination by the lessee, (v) any sale of receivables shall be the amount of unrecovered capital or principal investment of the purchaser (other than the Borrower or any of its wholly-owned Subsidiaries) thereof, excluding amounts representative of yield or interest earned on such investment, (w) any Synthetic Lease shall be the stipulated loss value, termination value or other equivalent amount, (x) any Swap Contract on any date shall be the Swap Termination Value thereof as of such date, (y) any equity related purchase obligation shall be the maximum fixed redemption or purchase price thereof that is payable upon a mandatory redemption or purchase of such equity inclusive of any accrued and unpaid dividends to be comprised in such redemption or purchase price and (z) any guarantee or other contingent liability referred to in clause (k) shall be an amount equal to the stated or determinable amount of the primary obligation in respect of which such guaranty or other contingent obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith based upon the principles set forth in this paragraph.

"Indemnitees" has the meaning specified in Section 10.04(b).

"Indenture" means the Indenture dated as of January 24, 2003 among the Parent, certain of its Subsidiaries as guarantors and U.S. Bank National Association as trustee, with respect to the Senior Subordinated Notes.

"Information" has the meaning specified in Section 10.07.

"Instrument of Accession" has the meaning set forth in Section 2.14 hereof.

"Insurance Subsidiary" means Casella Insurance Company, a Vermont corporation and a wholly-owned Subsidiary of the Parent.

"Interest Payment Date" means, (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan (including a Swing Line Loan), the last Business Day of each March, June, September and December and the Maturity Date.

"Interest Period" means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Borrowers in their Committed Loan Notice; provided that:

(i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period that begins on the last 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 Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Maturity Date.

"Investment" means all expenditures made and all liabilities incurred (contingently or otherwise) for the acquisition of stock or Indebtedness of, or the amount of loans, advances, capital contributions or transfers of property to, or in respect of any guarantees (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 or (as the case may be) added from the aggregate amount of Investments any decrease or increase in the value thereof.

"IRBs" means industrial revenue bonds or solid waste disposal bonds issued by or at the request of the Borrowers.

"ISP" means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance).

"Issuer Documents" means with respect to any Letter of Credit, the Letter of Credit Application, and any other document, agreement and instrument entered into by the L/C Issuer and the Borrower (or any Subsidiary) or in favor the L/C Issuer and relating to any such Letter of Credit.

"KTI" means KTI, Inc., a New Jersey corporation and a wholly-owned Subsidiary of the Parent.

"L/C Advance" means, with respect to any Lender, such Lender's funding of its participation in any L/C Borrowing in accordance with its Revolving Percentage.

"L/C Borrowing" means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Committed Borrowing.

"L/C Credit Extension" means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the increase of the amount thereof.

"L/C Issuer" means Bank of America in its capacity as issuer of Letters of Credit hereunder, or any successor issuer of Letters of Credit hereunder.

"L/C Obligations" means, as at any date of determination, the aggregate Maximum Drawing Amount plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings.

"L/C Supported IRBs" means IRBs backed by Letters of Credit issued hereunder.

"Lender" has the meaning specified in the introductory paragraph hereto and, as the context requires, includes the Swing Line Lender.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

"Letter of Credit" means any standby letter of credit issued hereunder and shall include the Existing Letters of Credit.

"Letter of Credit Application" means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the L/C Issuer.

"Letter of Credit Expiration Date" means the day that is seven days prior to the Maturity Date then in effect (or, if such day is not a Business Day, the next preceding Business Day).

"Letter of Credit Fee" has the meaning specified in Section 2.03(i).

"Letter of Credit Percentage" means the percentage per annum equal to the Applicable Rate for Eurodollar Rate Loans, as in effect from time to time, as set forth in the column "Eurodollar Rate Loans" in the table set forth in the definition of "Applicable Rate" above.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

"Loan" means an extension of credit by a Lender to the Borrower under Article II in the form of a Committed Loan or a Swing Line Loan or, to the extent applicable, any Term B Loan advanced pursuant to Section 2.14 hereof.

"Loan Documents" means this Agreement, each Note, each Issuer Document, the Letters of Credit, the Security Documents, the Subordination Agreements, and any documents, instruments or agreements executed in connection with any of the foregoing, each as amended, modified, supplemented, or replaced from time to time.

"Loan Notice" means a Committed Loan Notice or a Term B Loan Notice.

"Material Adverse Effect" means a material adverse change in, or material adverse effect upon the operations, business, properties or financial condition of the Borrowers taken as a whole.

"Maturity Date" means April 28, 2010.

"Maximum Drawing Amount" means the maximum drawing amount that beneficiaries may at any time draw under Letters of Credit, as such aggregate amount may be reduced from time to time pursuant to the terms of such Letters of Credit. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.06. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

"Multiemployer Plan" means any multiemployer plan within the meaning of §3(37) of ERISA maintained or contributed to by any Borrower or any ERISA Affiliate.

"NELS" means New England Landfill Solutions, LLC.

"New Subsidiary" means a Subsidiary acquired or formed by any Borrower during the period reported in the most recent financial statements delivered to the Lenders pursuant to Section 6.04.

"Non-Borrower Subsidiary" means the Insurance Subsidiary, the De Minimis Subsidiaries, the Foreign Subsidiaries and NELS, all of which are listed on Schedule 5.13(a) hereto.

"Non-U.S. Lender" has the meaning set forth in Section 3.01(d) hereof.

"Note" means a promissory note made by the Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of Exhibit C, or, to the extent applicable, if requested by a Term B Lender, a promissory note evidencing a portion of the Term B Loan.

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, any Borrower arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Borrower or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding and any Swap Contracts of any of the Borrowers to which a Lender or its Affiliate is a party.

"Organization Documents" means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"Outstanding Amount" means (i) with respect to Committed Loans and Swing Line Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Committed Loans and Swing Line Loans, as the case may be, occurring on such date; (ii) with respect to any L/C Obligations on any date, the aggregate amount of all L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements by the Borrower of Unreimbursed Amounts; and (iii) to the extent applicable, the outstanding principal amount of the Term B Loan on any date.

"Participant" has the meaning specified in Section 10.06(d).

"PBGC" means the Pension Benefit Guaranty Corporation.

"Performance Bonds" has the meaning specified in Section 7.03(d) hereto.

"Performance L/C" means a Letter of Credit which is not a Financial L/C.

"Performance L/C Fee" has the meaning specified in Section 2.3(i)(ii) hereto.

"Permitted Acquisitions" has the meaning specified in Section 7.04 hereto.

"Permitted Investments" has the meaning specified in Section 7.02 hereto.

"Permitted Liens" has the meaning specified in Section 7.01 hereto

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Platform" has the meaning specified in Section 6.04.

"Pledge Agreement" means the Amended and Restated Pledge Agreement, dated as of the Closing Date, among certain of the Borrowers and the Administrative Agent.

"Post-Closing Increase" has the meaning set forth in Section 2.14 hereof.

"Real Property" means all real property heretofore, now, or hereafter owned or leased by the Borrowers.

"Register" has the meaning specified in Section 10.06(c).

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Release" means the broader of (i) the meaning specified for the term "Release" (or "Released") in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §§9601 et seq. ("CERCLA") and (ii) the meaning specified for the term "Disposal" (or "Disposed") 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 or province (or the federal laws of Canada applicable therein) wherein the property lies establishes a meaning for "Release" or "Disposal" or any analogous term which is broader than specified in either CERCLA or RCRA, such broader meaning shall apply.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

"Request for Credit Extension" means (a) with respect to a Borrowing, conversion or continuation of Committed Loans, a Committed Loan Notice, (b) with respect to an L/C Credit Extension, a Letter of Credit Application, and (c) with respect to a Swing Line Loan, a Swing Line Loan Notice.

"Required Lenders" means, as of any date of determination, any combination of Lenders having more than fifty percent (50%) of the sum of (a) the Aggregate Commitments plus (b) to the extent applicable, the outstanding principal amount of the Term B Loan (with the aggregate amount of any Lender's risk participation and funded participation in L/C Obligations and Swing Line Loans being deemed "held" by such Lender for purposes of this definition); provided that for purposes of this definition, "Lender" shall not include any Defaulting Lender; and provided,

further, that if the Commitments have been terminated or if the Maturity Date has occurred, any combination of Lenders holding more than fifty percent (50%) of the Total Outstandings.

"Responsible Officer" means the chief executive officer, president, chief financial officer, treasurer or assistant treasurer of the Parent. Any document delivered hereunder that is signed by a Responsible Officer shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of any Borrower and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Borrower.

"Restricted Payment" means, in relation to the Borrowers and the Non-Borrower Subsidiaries, any (a) Distribution, (b) payment by any Borrower or Non-Borrower Subsidiaries to (i) such Borrower's or such Non-Borrower Subsidiary's shareholders (or other equity holders), in each case, other than to another Borrower, or (ii) to any Affiliate of such Borrower or such Non-Borrower Subsidiary or any Affiliate of such Borrower's or such Non-Borrower Subsidiary's shareholders (or other equity holders), in each case, other than to another Borrower or (c) derivatives or other transactions with any financial institution, commodities or stock exchange or clearinghouse (a "Derivatives Counterparty") obligating such Borrower or such Non-Borrower Subsidiary to make payments to such Derivatives Counterparty as a result of any change in market value of any capital stock of such Borrower or such Non-Borrower Subsidiary.

"Revolving Lenders" means the Lenders making Committed Loans.

"Revolving Percentage" has the meaning specified in the definition of Applicable Percentage.

"Sarbanes-Oxley" means the Sarbanes-Oxley Act of 2002.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Security Agreement" means the Amended and Restated Security Agreement, dated as of the Closing Date, among the Borrowers and the Administrative Agent.

"Security Documents" means the Security Agreement, the Pledge Agreement each as amended and in effect from time to time, and any additional documents evidencing or perfecting the Administrative Agent's Lien on the assets of the applicable Borrowers for the benefit of the applicable Lenders (including Uniform Commercial Code financing statements).

"Securities Laws" means the Securities Act of 1933, the Securities Exchange Act of 1934, Sarbanes-Oxley and the applicable accounting and auditing principles, rules, standards and practices promulgated, approved or incorporated by the SEC or the Public Company Accounting Oversight Board, as each of the foregoing may be amended and in effect on any applicable date hereunder.

"Seller Subordinated Debt" means Indebtedness of any of the Borrowers (other than the Senior Subordinated Debt) which has been subordinated and made junior to the payment and performance in full in cash of the Obligations, and evidenced as such by a subordination agreement containing subordination provisions substantially in the form of Exhibit F hereto (the

"Subordination Agreement"); provided that (a) at the time such Seller Subordinated Debt is incurred, no Default or Event of Default has occurred or would occur as a result of such incurrence, and (b) the documentation evidencing such Seller Subordinated Debt shall have been delivered to the Administrative Agent and shall contain all of the following characteristics: (i) it shall be unsecured, (ii) it shall bear interest at a rate not to exceed the market rate, (iii) it shall not require unscheduled principal repayments thereof prior to the maturity date of such debt, (iv) if it has any covenants, such covenants (including covenants relating to incurrence of indebtedness) shall be meaningfully less restrictive than those set forth herein, (v) it shall have no restrictions on the Borrower's ability to grant liens securing indebtedness ranking senior to such Seller Subordinated Debt, (vi) it shall permit the incurrence of senior indebtedness under this Credit Agreement, (vii) 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, (viii) it shall provide for the complete, automatic and unconditional release of any and all guarantees of such Seller Subordinated Debt granted by any Borrower in the event of the sale by any Person of such Borrower or the sale by any Person of all or substantially all of such Borrower's assets (including in the case of a foreclosure), (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 in cash prior to any payment being received by the holders of the Seller 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 Seller 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 Section 8.01(a) 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 Seller 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 Lenders shall be permitted to block with respect to the Seller Subordinated Debt for a period of 180 days (A) payments of principal, interest, fees and all other amounts payable, and (B) enforcement of remedies for Seller Subordinated Debt in excess of $1,000,000, and (xii) it shall acknowledge that none of the provisions outlined in part (b) of this definition can be amended, modified or otherwise altered without the prior written consent of the Required Lenders.

"Senior Subordinated Debt" means (a) the existing senior subordinated Indebtedness of the Borrowers evidenced by the Senior Subordinated Debt Documents in the aggregate principal amount of $195,000,000, and (b) any other senior subordinated debt permitted under Section 7.03 hereof which shall be on market terms and otherwise reasonably acceptable to the Required Lenders in all respects.

"Senior Subordinated Debt Documents" means the Indenture, the Senior Subordinated Notes and all other documents, instruments and agreements entered into or executed in connection therewith or in connection with other Senior Subordinated Debt.

"Senior Subordinated Notes" means the 9.75% Senior Subordinated Notes due 2013 issued by the Parent pursuant to the Indenture.

"SPC" has the meaning specified in Section 10.06(h)

"Series A Certificate" means that certain Certificate of Designation of Series A Convertible Preferred Stock, dated as of August 8, 2000, which sets forth the rights and obligations of the Series A Holders and the Parent with respect to the Series A Preferred Stock.

"Series A Holders" means the holders of the Series A Preferred Stock listed on Schedule 5.13(b) hereto.

"Series A Preferred Stock" means the Series A Preferred Stock issued by the Parent to the Series A Holders pursuant to the Series A Certificate in the liquidation value of $53,750,000 plus dividends as provided for in the Series A Certificate.

"Specified Entities" means (a) K-C International, Ltd., (b) the brokerage business of KTI Recycling of New England, Inc., (c) the brokerage business of Pine Tree Waste, Inc., (d) Greenfiber, (e) KTI New Jersey Fibers, Inc., (f) Atlantic Coast Fibers, Inc., (g) Casella NH Investors Co., LLC, (h) Casella NH Power Co., LLC, (i) Data Destruction Services, Inc., (j) Natural Environmental, Inc., (k) Blasdell Development Group, Inc., (l) Casella Waste Management of Pennsylvania, Inc., (m) KTI Specialty Waste Services, Inc., (n) Pine Tree Waste, Inc., (o) Resource Recovery of Cape Cod, Inc., (p) Rochester Environmental Park, LLC and (q) the companies and assets comprising the FCR operating segment, or the successors of any of the foregoing only with respect to the businesses conducted by the foregoing on the Closing Date.

"Spot Rate" means, with respect to any "first currency" (as defined in Section 2.15), at any date of determination thereof, the spot rate of exchange in London that appears on the display page applicable to such first currency on the Reuters System (or such other page as may replace such page on such service for the purpose of displaying the spot rate of exchange in London) for the conversion of such first currency into the "second currency" (as defined in Section 2.15); provided, however, that if there shall at any time no longer exist such a page on such service, the Spot Rate shall be determined by reference to another similar rate publishing service selected by the Administrative Agent.

"Subsidiary" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Parent.

"Subordination Agreement" has the meaning specified in the definition of "Seller Subordinated Debt".

"Subordinated Debt" means, collectively, the Senior Subordinated Debt and the Seller Subordinated Debt.

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Swing Line" means the revolving credit facility made available by the Swing Line Lender pursuant to Section 2.04.

"Swing Line Borrowing" means a borrowing of a Swing Line Loan pursuant to Section 2.04.

"Swing Line Lender" means Bank of America in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

"Swing Line Loan" has the meaning specified in Section 2.04(a).

"Swing Line Loan Notice" means a notice of a Swing Line Borrowing pursuant to Section 2.04(b), which, if in writing, shall be substantially in the form of Exhibit B hereto.

"Swing Line Sublimit" means an amount equal to the lesser of (a) $10,000,000 and (b) the Aggregate Commitments. The Swing Line Sublimit is part of, and not in addition to, the Aggregate Commitments.

"Synthetic Lease" means any lease of goods or other property, whether real or personal, which is treated as an operating lease under GAAP and as a loan or financing for U.S. income tax purposes.

"Term B Lender" means the Lenders holding a portion of the Term B Loan as shall be set forth in amended Schedule A to the Conforming Amendment, together with any other Person who becomes an assignee of any rights and obligations of a Term B Lender.

"Term B Loan" has the meaning specified in Section 2.14 hereof.

"Term B Loan Borrowing" means a borrowing consisting of any portions of the Term B Loan of the same Type.

"Term B Loan Date" has the meaning specified in Section 2.14 hereof.

"Term B Loan Notice" means a notice of (a) a Term B Loan Borrowing, (b) a conversion of any portion of the Term B Loan from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a) (as made applicable pursuant to Section 2.14), which, if in writing, shall be substantially in the form of Exhibit A.

"Term B Loan Percentage" has the meaning specified in the definition of Applicable Percentage.

"Threshold Amount" means $5,000,000.

"Total Outstandings" means the aggregate Outstanding Amount of all Loans and all L/C Obligations.

"Total Revolving Outstandings" means the aggregate Outstanding Amount of Committed Loans, Swing Line Loans and L/C Obligations.

"Type" means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

"United States" and "U.S." mean the United States of America.

"Unreimbursed Amount" has the meaning specified in Section 2.03(c)(i).

"U.S. Fiber" means U.S. Fiber, Inc., a North Carolina corporation.

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on

such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's permitted successors and permitted assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms. (a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrowers or the Required Lenders shall so request, the Administrative Agent and the Borrowers shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrowers shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04 Rounding. Any financial ratios required to be maintained by the Borrowers pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

1.06 Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

ARTICLE II.
THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 Committed Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make revolving loans (each such loan, a "Committed Loan") to the Borrowers from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Commitment; provided, however, that after giving effect to any Committed Borrowing, (i) the Total Revolving Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Committed Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment. Within the limits of each Lender's Commitment, and subject to the other terms and conditions hereof, the Borrowers may borrow under this Section 2.01, prepay under Section 2.05, and reborrow under this Section 2.01. Committed Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

2.02 Borrowings, Conversions and Continuations of Loans.

(a) Each Committed Borrowing, each conversion of Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrowers' irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than 11:00 a.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Loans, and (ii) on the requested date of any Borrowing of Base Rate Loans. Each telephonic notice by the Borrowers pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Loan Notice, appropriately completed and signed by a Responsible Officer or other signatories of the Borrowers approved by the Borrowers and the Administrative Agent. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of $5,000,000 or a whole multiple of $1,000,000 in excess thereof. Except as provided in Sections 2.03(c) and 2.04(c), each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of $500,000 or a whole multiple of $100,000 in excess thereof. Each Loan Notice (whether telephonic or written) shall specify (i) whether the Borrowers are requesting a Committed Borrowing, a conversion of Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the requested date of the Borrowing,

conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrowers fail to specify a Type of Loan in a Loan Notice or if the Borrowers fail to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrowers request a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Loan Notice, but fail to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage of the applicable Loans, and if no timely notice of a conversion or continuation is provided by the Borrowers, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in the preceding subsection. In the case of a Committed Borrowing, each Lender shall make the amount of its Committed Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 1:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Borrowing is the initial Credit Extension, Section 4.01), the Administrative Agent shall make all funds so received available to the Borrowers in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrowers on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to the Administrative Agent by the Borrowers; provided, however, that if, on the date the Committed Loan Notice with respect to such Borrowing is given by the Borrowers, there are L/C Borrowings outstanding, then the proceeds of such Borrowing, first, shall be applied to the payment in full of any such L/C Borrowings, and second, shall be made available to the Borrowers as provided above.

(c) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan. During the existence of a Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Lenders.

(d) The Administrative Agent shall promptly notify the Borrowers and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrowers and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than ten (10) Interest Periods in effect with respect to Loans.

2.03 Letters of Credit.

(a) The Letter of Credit Commitment.

(i) Subject to the terms and conditions set forth herein, (A) the L/C Issuer agrees, in reliance upon the agreements of the Lenders set forth in this Section 2.03, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit for the account of the Borrowers, and to amend or extend Letters of Credit previously issued by it, in accordance with subsection (b) below, and (2) to honor drawings under the Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Borrowers and any drawings thereunder; provided that after giving effect to any L/C Credit Extension with respect to any Letter of Credit, (x) the Total Revolving Outstandings shall not exceed the Aggregate Commitments, and (y) the aggregate Outstanding Amount of the Committed Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment. Each request by the Borrowers for the issuance or amendment of a Letter of Credit shall be deemed to be a representation by the Borrower that the L/C Credit Extension so requested complies with the conditions set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrowers' ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrowers may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. All Existing Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(ii) The L/C Issuer shall not issue any Letter of Credit, if:

(A) subject to Section 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last extension, unless the Required Lenders have approved such expiry date; or

(B) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date.

(iii) The L/C Issuer shall not be under any obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the L/C Issuer from issuing such Letter of Credit, or any Law applicable to the L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally

or such Letter of Credit in particular or shall impose upon the L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the L/C Issuer in good faith deems material to it;

(B) the issuance of such Letter of Credit would violate one or more policies of the L/C Issuer;

(C) such Letter of Credit is to be denominated in a currency other than Dollars; or

(D) a default of any Lender's obligations to fund under Section 2.03(c) exists or any Lender is at such time a Defaulting Lender hereunder, unless the L/C Issuer has entered into satisfactory arrangements with the Borrowers or such Lender to eliminate the L/C Issuer's risk with respect to such Lender.

(iv) The L/C Issuer shall not amend any Letter of Credit if the L/C Issuer would not be permitted at such time to issue such Letter of Credit in its amended form under the terms hereof.

(v) The L/C Issuer shall be under no obligation to amend any Letter of Credit if (A) the L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(vi) The L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the L/C Issuer shall have all of the benefits and immunities (A) provided to the Administrative Agent in Article IX with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and Issuer Documents pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in Article IX included the L/C Issuer with respect to such acts or omissions, and (B) as additionally provided herein with respect to the L/C Issuer.

(b) Procedures for Issuance and Amendment of Letters of Credit; Auto-Extension Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrowers delivered to the L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrowers. Such Letter of Credit Application must be received by the L/C Issuer and the Administrative Agent not later than 11:00 a.m. at least two Business Days (or such later date and time as the Administrative Agent and the L/C Issuer may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit

Application shall specify in form and detail satisfactory to the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the L/C Issuer may reasonably require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the L/C Issuer may reasonably require. Additionally, the Borrowers shall furnish to the L/C Issuer and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as the L/C Issuer or the Administrative Agent may require.

(ii) Promptly after receipt of any Letter of Credit Application, the L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrowers and, if not, the L/C Issuer will provide the Administrative Agent with a copy thereof. Unless the L/C Issuer has received written notice from any Lender, the Administrative Agent or any Borrower, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article IV shall not then be satisfied, then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the applicable Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Letter of Credit.

(iii) If the Borrowers so request in any applicable Letter of Credit Application, the L/C Issuer may agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit the L/C Issuer to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the L/C Issuer, the Borrowers shall not be required to make a specific request to the L/C Issuer for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the L/C Issuer to permit the extension of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that the L/C Issuer shall not permit any such extension if (A) the L/C Issuer has determined that it would not be permitted, or would

have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of clause (ii) or (iii) of Section 2.03(a) or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is five Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or the Borrowers that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, and in each such case directing the L/C Issuer not to permit such extension.

(iv) If the Borrowers so request in any applicable Letter of Credit Application, the L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that permits the automatic reinstatement of all or a portion of the stated amount thereof after any drawing thereunder (each, an "Auto-Reinstatement Letter of Credit"). Unless otherwise directed by the L/C Issuer, the Borrowers shall not be required to make a specific request to the L/C Issuer to permit such reinstatement. Once an Auto-Reinstatement Letter of Credit has been issued, except as provided in the following sentence, the Lenders shall be deemed to have authorized (but may not require) the L/C Issuer to reinstate all or a portion of the stated amount thereof in accordance with the provisions of such Letter of Credit. Notwithstanding the foregoing, if such Auto-Reinstatement Letter of Credit permits the L/C Issuer to decline to reinstate all or any portion of the stated amount thereof after a drawing thereunder by giving notice of such non-reinstatement within a specified number of days after such drawing (the "Non-Reinstatement Deadline"), the L/C Issuer shall not permit such reinstatement if it has received a notice (which may be by telephone or in writing) on or before the day that is five Business Days before the Non-Reinstatement Deadline (A) from the Administrative Agent that the Required Lenders have elected not to permit such reinstatement or (B) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied (treating such reinstatement as an L/C Credit Extension for purposes of this clause) and, in each case, directing the L/C Issuer not to permit such reinstatement.

(v) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the L/C Issuer will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the L/C Issuer shall notify the Borrowers and the Administrative Agent thereof. Not later than 11:00 a.m. on the date of any payment by the L/C Issuer under a Letter of Credit, or within 2 hours after notice, if such notice occurs after 11:00 a.m. (each such date, an "Honor Date"), the Borrowers shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing. If the Borrowers fail to so reimburse the L/C Issuer by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and the amount of such

Lender's Applicable Percentage thereof. In such event, the Borrowers shall be deemed to have requested a Committed Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Aggregate Commitments and the conditions set forth in Section 4.02 (other than the delivery of a Committed Loan Notice). Any notice given by the L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender shall upon any notice pursuant to Section 2.03(c)(i) make funds available to the Administrative Agent for the account of the L/C Issuer at the Administrative Agent's Office in an amount equal to its Applicable Percentage of the Unreimbursed Amount not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Lender that so makes funds available shall be deemed to have made a Base Rate Committed Loan to the Borrowers in such amount. The Administrative Agent shall remit the funds so received to the L/C Issuer.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Committed Borrowing of Base Rate Loans because the conditions set forth in Section 4.02 cannot be satisfied or for any other reason, the Borrowers shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.

(iv) Until each Lender funds its Committed Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender's Applicable Percentage of such amount shall be solely for the account of the L/C Issuer.

(v) Each Lender's obligation to make Committed Loans or L/C Advances to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the L/C Issuer, the Borrowers or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Committed Loans pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 4.02 (other than delivery by the Borrowers of a Committed Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrowers to reimburse

the L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of the L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), the L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the L/C Issuer at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the L/C Issuer in accordance with banking industry rules on interbank compensation. A certificate of the L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after the L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.03(c), if the Administrative Agent receives for the account of the L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrowers or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Applicable Percentage thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.03(c)(i) is required to be returned under any of the circumstances described in Section 10.05 (including pursuant to any settlement entered into by the L/C Issuer in its discretion), each Lender shall pay to the Administrative Agent for the account of the L/C Issuer its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Obligations Absolute. The obligation of the Borrowers to reimburse the L/C Issuer for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(ii) the existence of any claim, counterclaim, setoff, defense or other right that the Borrowers or any Subsidiary may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrowers or any Subsidiary.

The Borrowers shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrowers' instructions or other irregularity, the Borrowers will immediately notify the L/C Issuer. The Borrowers shall be conclusively deemed to have waived any such claim against the L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) Role of L/C Issuer. Each Lender and each of the Borrowers agree that, in paying any drawing under a Letter of Credit, the L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuer, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Issuer Document. The Borrowers hereby assume all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrowers' pursuing such rights and remedies as they may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuer, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant

or assignee of the L/C Issuer shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.03(e); provided, however, that anything in such clauses to the contrary notwithstanding, the Borrowers may have a claim against the L/C Issuer, and the L/C Issuer may be liable to the Borrowers, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrowers which the Borrowers proves were caused by the L/C Issuer's willful misconduct or gross negligence or the L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(g) Cash Collateral. Upon the request of the Administrative Agent, (i) if the L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing, or (ii) if, as of the Letter of Credit Expiration Date, any L/C Obligation for any reason remains outstanding, the Borrowers shall, in each case, immediately Cash Collateralize the then Outstanding Amount of all L/C Obligations. Sections 2.05 and 8.02(c) set forth certain additional requirements to deliver Cash Collateral hereunder. For purposes of this Section 2.03, Section 2.05 and Section 8.02(c), "Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to the Security Documents.

(h) Applicability of ISP. Unless otherwise expressly agreed by the L/C Issuer and the Borrowers when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), the rules of the ISP shall apply to each Letter of Credit.

(i) Letter of Credit Fees.

(i) The Borrowers jointly and severally in the case of Letters of Credit which are Financial L/Cs agree to pay, at the times specified in Section 2.03(i)(iii) below, a fee (a "Financial L/C Fee") to the Administrative Agent for the benefit of the Revolving Lenders, equal to the product of (A) the Letter of Credit Percentage multiplied by (B) the Maximum Drawing Amount of each Financial L/C on the date of calculation, to be shared pro rata by each of such Lenders in accordance with their respective Commitment Percentages.

(ii) The Borrowers jointly and severally in the case of Performance L/Cs agree to pay, at the times specified in Section 2.03(i)(iii) below, a fee (a "Performance L/C Fee") to the Administrative Agent for the benefit of the Revolving Lenders, equal to fifty percent (50%) of the product of (A) the Letter of Credit Percentage multiplied by (B) the Maximum Drawing Amount of each such Letter of Credit on the date of calculation, to be shared *pro rata* by each of such Lenders in accordance with their respective Commitment Percentages.

(iii) The Financial L/C Fee and Performance L/C Fee (collectively, the "Letter of Credit Fees") and the Fronting Fee (as defined below) shall be payable quarterly in arrears on the tenth Business Day after the end of each calendar quarter for the immediately preceding calendar quarter and on the Maturity Date with respect to the daily Maximum Drawing Amount of Letters of Credit outstanding during such calendar quarter or portion thereof. In addition, the Borrowers jointly and severally agree to pay a fronting fee to the L/C Issuer for its account in an amount equal to one eighth of one percent (0.125%) per annum of the Maximum Drawing Amount of each Letter of Credit issued by the L/C Issuer (the "Fronting Fee"), plus any customary issuance, amendment, negotiation or document examination, and other standard costs, charges and administrative fees of the L/C Issuer in effect from time to time. Notwithstanding anything to the contrary contained herein, upon the request of the Required Lenders, while any Event of Default exists, all Letter of Credit Fees shall accrue at the Default Rate.

(j) Conflict with Issuer Documents. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

2.04 Swing Line Loans.

(a) The Swing Line. Subject to the terms and conditions set forth herein, the Swing Line Lender agrees, in reliance upon the agreements of the other Lenders set forth in this Section 2.04, to make loans (each such loan, a "Swing Line Loan") to the Borrowers from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed at any time outstanding the amount of the Swing Line Sublimit, notwithstanding the fact that such Swing Line Loans, when aggregated with the Applicable Percentage of the Outstanding Amount of Committed Loans and L/C Obligations of the Lender acting as Swing Line Lender, may exceed the amount of such Lender's Commitment; provided, however, that after giving effect to any Swing Line Loan, (i) the Total Revolving Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Committed Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment, and provided, further, that the Borrowers shall not use the proceeds of any Swing Line Loan to refinance any outstanding Swing Line Loan. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrowers may borrow under this Section 2.04, prepay under Section 2.05, and reborrow under this Section 2.04. Each Swing Line Loan shall be a Base Rate Loan.

(b) Borrowing Procedures. Each Swing Line Borrowing shall be made upon the Borrowers' irrevocable notice to the Swing Line Lender and the Administrative Agent, which may be given by telephone. Each such notice must be received by the Swing Line Lender and the Administrative Agent not later than 2:30 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum of $100,000, and (ii) the requested borrowing date, which shall be a Business Day. Each such telephonic notice must be confirmed promptly by delivery to the Swing Line Lender and the Administrative Agent of a written Swing Line Loan Notice, appropriately completed and signed by a Responsible Officer or other signatories of the Borrowers approved by the Borrowers and the Administrative Agent.

Promptly after receipt by the Swing Line Lender of any telephonic Swing Line Loan Notice, the Swing Line Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has also received such Swing Line Loan Notice and, if not, the Swing Line Lender will notify the Administrative Agent (by telephone or in writing) of the contents thereof. Unless the Swing Line Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Lender) prior to 2:30 p.m. on the date of the proposed Swing Line Borrowing (A) directing the Swing Line Lender not to make such Swing Line Loan as a result of the limitations set forth in the first proviso to the first sentence of Section 2.04(a), or (B) that one or more of the applicable conditions specified in Article IV is not then satisfied, then, subject to the terms and conditions hereof, the Swing Line Lender will, not later than 3:00 p.m. on the borrowing date specified in such Swing Line Loan Notice, make the amount of its Swing Line Loan available to the Borrower.

(c) Refinancing of Swing Line Loans.

(i) The Swing Line Lender at any time in its sole and absolute discretion may request, on behalf of the Borrowers (which hereby irrevocably authorize the Swing Line Lender to so request on its behalf), that each Lender make a Base Rate Committed Loan in an amount equal to such Lender's Applicable Percentage of the amount of Swing Line Loans then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Committed Loan Notice for purposes hereof) and in accordance with the requirements of Section 2.02, without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, but subject to the unutilized portion of the Aggregate Commitments and the conditions set forth in Section 4.02. The Swing Line Lender shall furnish the Borrowers with a copy of the applicable Committed Loan Notice promptly after delivering such notice to the Administrative Agent. Each Lender shall make an amount equal to its Applicable Percentage of the amount specified in such Committed Loan Notice available to the Administrative Agent in immediately available funds for the account of the Swing Line Lender at the Administrative Agent's Office not later than 1:00 p.m. on the day specified in such Committed Loan Notice, whereupon, subject to Section 2.04(c)(ii), each Lender that so makes funds available shall be deemed to have made a Base Rate Committed Loan to the Borrowers in such amount. The Administrative Agent shall remit the funds so received to the Swing Line Lender.

(ii) If for any reason any Swing Line Loan cannot be refinanced by such a Committed Borrowing in accordance with Section 2.04(c)(i), the request for Base Rate Committed Loans submitted by the Swing Line Lender as set forth herein shall be deemed to be a request by the Swing Line Lender that each of the Lenders fund its risk participation in the relevant Swing Line Loan and each Lender's payment to the Administrative Agent for the account of the Swing Line Lender pursuant to Section 2.04(c)(i) shall be deemed payment in respect of such participation.

(iii) If any Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.04(c) by the time specified in Section 2.04(c)(i), the Swing Line Lender shall be entitled to recover from such Lender

(acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the Swing Line Lender in accordance with banking industry rules on interbank compensation. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent manifest error.

(iv) Each Lender's obligation to make Committed Loans or to purchase and fund risk participations in Swing Line Loans pursuant to this Section 2.04(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Borrowers or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Committed Loans pursuant to this Section 2.04(c) is subject to the conditions set forth in Section 4.02. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrowers to repay Swing Line Loans, together with interest as provided herein.

(d) Repayment of Participations.

(i) At any time after any Lender has purchased and funded a risk participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Lender its Applicable Percentage of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's risk participation was funded) in the same funds as those received by the Swing Line Lender.

(ii) If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender under any of the circumstances described in Section 10.05 (including pursuant to any settlement entered into by the Swing Line Lender in its discretion), each Lender shall pay to the Swing Line Lender its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the Federal Funds Rate. The Administrative Agent will make such demand upon the request of the Swing Line Lender. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Interest for Account of Swing Line Lender. The Swing Line Lender shall be responsible for invoicing the Borrowers for interest on the Swing Line Loans. Until each Lender funds its Base Rate Committed Loan or risk participation pursuant to this Section 2.04 to refinance such Lender's Applicable Percentage of any Swing Line Loan, interest in respect of such Applicable Percentage shall be solely for the account of the Swing Line Lender.

(f) Payments Directly to Swing Line Lender. The Borrowers shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Swing Line Lender.

2.05 Prepayments.

(a) The Borrowers may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Administrative Agent not later than 11:00 a.m. (A) three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (B) on the date of prepayment of Base Rate Loans; and (ii) any prepayment shall be in a principal amount of $250,000 or a whole multiple of $250,000 in excess thereof or, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid and whether the Loan to be prepaid is a Committed Loan or Term B Loan. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by the Borrowers, the Borrowers shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each such prepayment shall be applied to the Loans of the Lenders in accordance with their respective Applicable Percentages.

(b) The Borrowers may, upon notice to the Swing Line Lender (with a copy to the Administrative Agent), at any time or from time to time, voluntarily prepay Swing Line Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the date of the prepayment, and (ii) any such prepayment shall be in a minimum principal amount of $100,000. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Borrowers, the Borrowers shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(c) If for any reason the Total Revolving Outstandings at any time exceed the Aggregate Commitments then in effect, the Borrowers shall immediately prepay the Committed Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; provided, however, that the Borrowers shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.05(c) unless after the prepayment in full of the Committed Loans the Outstanding Amount of L/C Obligations exceed the Aggregate Commitments then in effect.

2.06 Termination or Reduction of Commitments. The Borrower may, upon notice to the Administrative Agent, terminate or reduce the Aggregate Commitments, or from time to time permanently reduce the Aggregate Commitments; provided that (i) any such notice shall be received by the Administrative Agent not later than 11:00 a.m. five Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of $5,000,000 or any whole multiple of $1,000,000 in excess thereof, (iii) the Borrowers shall not terminate or reduce the Aggregate Commitments if, after giving effect thereto and to any

concurrent prepayments hereunder, the Total Revolving Outstandings would exceed the Aggregate Commitments, and (iv) if, after giving effect to any reduction of the Aggregate Commitments, the Swing Line Sublimit exceeds the amount of the Aggregate Commitments, such Sublimit shall be automatically reduced by the amount of such excess. The Administrative Agent will promptly notify the Lenders of any such notice of termination or reduction of the Aggregate Commitments. Any reduction of the Aggregate Commitments shall be applied to the Commitment of each Lender according to its Applicable Percentage. All fees accrued until the effective date of any termination of the Aggregate Commitments shall be paid on the effective date of such termination.

2.07 Repayment of Loans.

(a) The Borrower shall repay to the Lenders on the Maturity Date the aggregate principal amount of Committed Loans outstanding on such date.

(b) The Borrower shall repay each Swing Line Loan on the earlier to occur of (i) the date ten Business Days after such Loan is made and (ii) the Maturity Date.

2.08 Interest.

(a) Subject to the provisions of subsection (b) below, (i) each Eurodollar Rate Committed Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate; (ii) each Base Rate Committed Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate; and (iii) each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate for Base Rate Committed Loans.

(b) (i) If any amount of principal of any Loan is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by Applicable Laws.

(ii) If any amount (other than principal of any Loan) payable by the Borrowers under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Required Lenders, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by Applicable Laws.

(iii) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after

judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.09 Fees. In addition to certain fees described in Section 2.03(i):

(a) Commitment Fee. The Borrowers jointly and severally in accordance with Section 10.12 agree (to the fullest extent permitted by law) to pay to the Administrative Agent for the benefit of the Revolving Lenders in accordance with their respective Applicable Percentages a commitment fee (the "Commitment Fee") calculated at the rate per annum equal to the Applicable Rate with respect to the Commitment Fee as in effect from time to time on the daily amount during each calendar quarter or portion thereof from the Closing Date to the Maturity Date by which the Aggregate Commitments exceeds the sum of (i) the Outstanding Amount of Committed Loans**,** plus (ii) the Outstanding Amount of L/C Obligations during such calendar quarter. The Commitment Fee shall be payable quarterly in arrears on the last Business Day of each March, June, September and December, with a final payment on the Maturity Date or any earlier date on which the Commitments shall terminate. If there is any change in the Applicable Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(b) Other Fees. The Borrowers jointly and severally in accordance with Section 10.12 hereof shall pay to the Arranger and the Administrative Agent for their own respective accounts fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.10 Computation of Interest and Fees. All computations of interest for Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.11 Evidence of Debt.

(a) The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrowers and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrowers hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the

Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrowers shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

(b) In addition to the accounts and records referred to in subsection (a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

2.12 Payments Generally; Administrative Agent's Clawback.

(a) General. All payments to be made by the Borrowers shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrowers hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrowers shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Committed Borrowing of Eurodollar Rate Loans (or, in the case of any Committed Borrowing of Base Rate Loans, prior to 12:00 noon on the date of such Committed Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Committed Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 (or, in the case of a Committed Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the Borrowers a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Committed Borrowing available to the Administrative Agent, then the applicable Lender and the Borrowers severally agree to pay to the Administrative Agent forthwith on demand, which, in the case of the Borrower, shall be made no earlier than 3 Business Days after the date of such Lender's failure to fund, such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such

amount is made available to the Borrowers to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (B) in the case of a payment to be made by the Borrowers, the interest rate applicable to Base Rate Loans. If the Borrowers and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrowers the amount of such interest paid by the Borrowers for such period. If such Lender pays its share of the applicable Committed Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Committed Loan included in such Committed Borrowing. Any payment by the Borrowers shall be without prejudice to any claim the Borrowers may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by Borrowers; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrowers prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the L/C Issuer hereunder that the Borrowers will not make such payment, the Administrative Agent may assume that the Borrowers have made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the L/C Issuer, as the case may be, the amount due. In such event, if the Borrowers have not in fact made such payment, then each of the Lenders or the L/C Issuer, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or the L/C Issuer, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Borrowers with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrowers by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Committed Loans, to fund participations in Letters of Credit and Swing Line Loans and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender to make any Committed Loan, to fund any such participation or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Committed Loan, to purchase its participation or to make its payment under Section 10.04(c).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.13 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Loans made by it, or the participations in L/C Obligations or in Swing Line Loans held by it resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Loans (including any Loans advanced pursuant to Section 2.14) or participations and accrued interest thereon greater than its pro rata share of the Total Outstandings as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and subparticipations in L/C Obligations and Swing Line Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided that:

(i) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (x) any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or subparticipations in L/C Obligations or Swing Line Loans to any assignee or participant, other than to the Borrowers or any Subsidiary thereof (as to which the provisions of this Section shall apply).

Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under Applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

2.14 Increase in Commitments; Term B Loan.

(a) Request for Increase of Committed Loans; Term B Loan. Provided there exists no Default, upon notice to the Administrative Agent (which shall promptly notify the Lenders as set forth in this Section), and subject to the terms of this Section, the Borrowers may from time to time, (i) request an increase in the Aggregate Commitments in respect of Committed Loans by an amount not exceeding $100,000,000 less any increases effected in connection with subparagraph (a)(ii) of this Section; and (ii) request a term loan (the "Term B Loan") in the maximum principal amount of $100,000,000 less any increases effected pursuant to subparagraph (a)(i) of this Section; provided that, after giving effect to any such increase, the

Aggregate Commitments plus, if applicable, the outstanding principal amount of the Term B Loan shall not exceed in the aggregate $450,000,000 (minus any previously effected reductions of the Commitment pursuant to Section 2.06).

(b) Term B Loan Terms and Conditions. To the extent that a Term B Loan is requested pursuant to the terms of this Agreement, such Term B Loan will, in addition to compliance with other applicable terms of this Agreement, include the following terms and conditions:

(i) Amendment to Schedule A. Schedule A shall be amended in the Conforming Amendment referred to below to set forth the amount of the Term B Loan and the respective Term B Loan Percentages of each Term B Lender.

(ii) Evidence of Indebtedness.

(A) Loan Accounts. Each Term B Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrowers to such Lender resulting from such Lender's Term B Loan Percentage of the Term B Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement. The Administrative Agent shall maintain accounts in which it shall record (i) the amount of the Term B Loan made hereunder and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrowers to each Term B Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder for the account of the Term B Lenders and each Term B Lender's share thereof (if any). The entries made in the accounts maintained by each Term B Lender pursuant to this Section shall, to the extent permitted by Applicable Law, be prima facie evidence of the existence and amounts of the obligations of the Borrowers therein recorded; provided, however, that the failure of any Term B Lender or the Administrative Agent to maintain any such accounts or Term B Note Record, or any error therein, shall not in any manner affect the obligation of the Borrowers to repay (with applicable interest) the Term B Loan made in accordance with the terms of this Agreement. If requested by any Term B Lender, the Borrowers shall execute a promissory note with respect to such Lender's portion of the Term B Loan.

(B) Scheduled Installment Payments of Principal of Term B Loan. The Borrowers jointly and severally promise to pay to the Administrative Agent for the account of the Term B Lenders, in accordance with their respective Term B Loan Percentages, the principal amount of the Term B Loan in such amounts pursuant to the installment schedule to be attached to the Conforming Amendment, provided that the final installment payment shall be due and payable no earlier than the Maturity Date.

(iii) Mandatory Prepayments of Loans. The Term B Loan shall be subject to customary mandatory and optional prepayment provisions as agreed upon by and among

the Borrowers, the Term B Lenders and the Administrative Agent and set forth in the Conforming Amendment.

(iv) Interest on Term Loan. Except as otherwise provided in Section 2.08 hereof, the Term B Loan shall bear interest during each Interest Period relating to all or any portion of the Term B Loan at a rate to be determined, based on prevailing market rates for borrowers with similar credit profiles and ratings, and otherwise acceptable to the Borrowers, the Administrative Agent and the Term B Lenders, as set forth in the Conforming Amendment. After the Term B Loan has been made, the provisions of Section 2.02 hereof shall apply mutatis mutandis with respect to all or any portion of the Term B Loan so that, to the extent applicable, the Borrowers may have the same interest rate options with respect to all or any portion of the Term B Loan as they would be entitled to with respect to the Committed Loans, provided that the provisions of Article III of this Agreement shall also apply to the Term B Loan.

(v) Pari Passu Treatment of Term Loan. The Term B Loan (A) shall rank pari passu in right of payment and of security with all other Loans and (B) shall be governed by and subject to all of the provisions, terms and conditions set forth in this Agreement and the other Loan Documents in every respect as though such Term B Loan was an original "Loan" referred to herein and will constitute an Obligation of the Borrowers hereunder, including, without limitation, the provisions of Section 2.13 hereof. To the extent conforming changes to this Agreement must be made to effect the addition of a Term B Loan made in accordance with this Section, such conforming amendment (the "Conforming Amendment") will not require the consent of any Lender other than the Term B Lenders, as well as the consent of the Borrowers and the Administrative Agent to be effective, but shall be subject to the satisfaction of each of the conditions set forth in Article IV hereof; provided that, upon execution of the Conforming Amendment, the Administrative Agent shall distribute a copy thereof to all of the Lenders.

(c) Lender Elections to Commitment Increase or Fund Term B Loan. The Administrative Agent will promptly notify the Lenders following receipt of a request by the Borrowers of, as the case may be, an increase in the Aggregate Commitments in respect of Committed Loans or funding of the Term B Loan. At the time of making such request, the Borrowers (in consultation with the Administrative Agent) shall specify the time period within which each Lender is requested to respond (which shall not in any event be less than ten (10) Business Days from the date of delivery of such notice to the Lenders). Each Lender shall notify the Administrative Agent within such time period whether or not it agrees, as the case may be, to increase its Commitment or to fund a portion of the Term B Loan, and, if so, (i) in the case of an increase in such Lender's Commitment, whether by an amount equal to, greater than, or less than its Revolving Percentage of such requested increase, or (ii) in the case of the Term B Loan, the Term B Loan Percentage of such Lender with respect to the requested Term B Loan. Any Lender not responding within such time period shall be deemed to have declined to increase its Commitment or to participate in the Term B Loan, as the case may be.

(d) Notification by Administrative Agent; Acceding Lenders. The Administrative Agent shall notify the Borrowers and each Lender of the Lenders' responses to each request made hereunder. To achieve the full amount of a requested increase and subject to the approval of the Administrative Agent (and the L/C Issuer only with respect to an increase in the Aggregate Commitments), which approvals shall not be unreasonably withheld, the Borrowers may also invite additional one or more commercial banks, other financial institutions or other Persons (in each case, an "Acceding Lender") to become party to this Agreement as a Lender by entering into an Instrument of Accession in substantially the form of Exhibit H hereto (an "Instrument of Accession") with the Borrowers and the Administrative Agent and assuming thereunder the rights and obligations (as the case may be) of a Lender hereunder, including without limitation, Commitments to make Committed Loans and participate in the risk relating to Letters of Credit and/or of Term B Lender with respect to the obligation to fund a portion of the Term B Loan subject to the terms of this Section, and the Aggregate Commitments and (as the case may be) the Term B Loan shall be funded (each such increase or funding, as the case may be, referred to as a "Post-Closing Increase") by the amount of such Acceding Lender's interest all in accordance with the provisions of this Section. The Borrowers shall indemnify the Lenders and the Administrative Agent for any cost or expense incurred as a consequence of the reallocation of any Eurodollar Rate Loans to an Acceding Lender pursuant to the provisions of Section 3.05 hereof.

(e) Closing Date and Allocations. Upon a request by the Borrower of an increase in the Aggregate Commitments or the funding of the Term B Loan in accordance with this Section, the Administrative Agent and the Borrowers shall determine, as applicable, the effective date of any such increase (any such date, the "Increase Closing Date") or the effective date of funding of the Term B Loan (the "Term B Loan Date") and the final allocation, as the case may be, of any such increase or Term B Loan. The Administrative Agent shall promptly notify the Borrowers and the Lenders and Acceding Lenders, if any, of the final allocation of such increase or Term B Loan. On the Term B Loan Date or any Increase Closing Date, Schedule 2.01 hereto shall be deemed to be amended to reflect, as the case may be, (x) the name, address, and, as the case may be, the Commitment of the Lenders and/or the amount of the Term B Loan advanced or to be advanced by each Term B Lender (and, if applicable, any Acceding Lender), (y) the Aggregate Commitments (after giving effect to any Post-Closing Increase) and the principal amount of the Term B Loan, and (z) the changes to the respective Applicable Percentages of the Lenders.

(f) Conditions to Effectiveness of Increase of Committed Loans or Term B Loan. As a condition precedent to such increase in the Aggregate Commitments or funding of the Term B Loan, as the case may be, the Borrowers shall deliver to the Administrative Agent a certificate dated as of, as applicable, any Increase Closing Date or the Term B Loan Date signed by a Responsible Officer of the Parent (i) certifying and attaching the resolutions adopted by the Borrowers approving or consenting to such increase, (ii) certifying that, before and after giving effect to such increase, (A) the applicable conditions set forth in Section 4.02(a) and (b) will be satisfied, and (B)(1)such increase or Term B Loan is permitted senior Indebtedness under the existing Senior Subordinated Debt Documents, and (2) no default under the existing Senior Subordinated Debt Documents has occurred and is continuing or would result after giving effect to the transactions contemplated by such Loans. In addition, the Borrowers shall prepay any Committed Loans outstanding on any Increase Closing Date (and pay any additional amounts required under Article III of this Agreement) to the extent necessary to keep the outstanding

Committed Loans ratable with any revised Applicable Percentages in respect of Committed Loans arising from any nonratable increase in the Commitments under this Section.

(g) Conflicting Provisions. This Section shall supersede any provisions in Sections 2.13 or 10.01 to the contrary.

2.15 Currency of Account. All of the Loans and Letters of Credit hereunder shall be denominated and payable in Dollars. If, for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in one currency (the "first currency") into any other currency (the "second currency") the conversion shall be made at the Spot Rate of exchange of the Administrative Agent (as conclusively determined by the Administrative Agent absent manifest error) on the Business Day preceding the day on which the final judgment is given. If, however, on the Business Day following receipt by the Administrative Agent in the second currency of any sum adjudged to be due hereunder (or any proportion thereof) the Administrative Agent purchases the first currency with the amount of the second currency so received and the first currency so purchased falls short of the sum originally due hereunder in the first currency (or the same proportion thereof) the Borrowers, shall, as a separate obligation and notwithstanding any judgment, pay to the Administrative Agent in the first currency an amount equal to such shortfall.

ARTICLE III.
TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) No Offset, etc. Except as set forth below, 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. Except as otherwise provided in this Section, 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 Administrative Agent for the account of, as the case may be, the applicable Lenders, L/C Issuer or the Administrative 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 applicable Lenders, L/C Issuer or the Administrative Agent to receive the same net amount which such Lenders, L/C Issuer or the Administrative Agent would have received on such due date had no such obligation been imposed upon the Borrowers; provided, that notwithstanding the foregoing, the Borrowers shall not be required to pay any additional amounts to the Administrative Agent, any Lender or the L/C Issuer for Excluded Taxes. The Borrowers will deliver promptly to the Lenders and the L/C Issuer 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.

(b) Non-U.S. Lenders. Each Lender that is not a U.S. Person as defined in Section 7701(a)(30) of the Code for federal income tax purposes (a "Non-U.S. Lender") agrees that, if and to the extent it is legally able to do so, it shall, prior to the first date on which any payment is due to it hereunder, deliver to the Borrowers and the Administrative Agent such certificates, documents or other evidence, as and when required by the Code or Treasury Regulations issued pursuant thereto, including, (a) in the case of a Non-U.S. Lender that is a "bank" for purposes of Section 881(c)(3)(A) of the Code, two (2) duly completed copies of Internal Revenue Service Form W-8BEN or W-8ECI or successor applicable form, as the case may be, and any other certificate or statement of exemption required by Treasury Regulations, establishing that, with respect to payments of principal, interest or fees hereunder, such Non-U.S. Lender is (i) not subject to United States federal withholding tax under the Code because such payment is effectively connected with the conduct by such Non-U.S. Lender of a trade or business in the United States or (ii) totally exempt or partially exempt from United States federal withholding tax under a provision of an applicable tax treaty and (b) in the case of a Non-U.S. Lender that is not a "bank" for purposes of Section 881(c)(3)(A) of the Code, a certificate in form and substance reasonably satisfactory to the Administrative Agent and the Borrowers and to the effect that (i) such Non-U.S. Lender is not a "bank" for purposes of Section 881(c)(3)(A) of the Code, is not subject to regulatory or other legal requirements as a bank in any jurisdiction, and has not been treated as a bank for purposes of any tax, securities law or other filing or submission made to any Governmental Authority, any application made to a rating agency or qualification for any exemption from any tax, securities law or other legal requirements, (ii) is not a ten (10) percent shareholder for purposes of Section 881(c)(3)(B) of the Code and (iii) is not a controlled foreign corporation receiving interest from a related person for purposes of Section 881(c)(3)(C) of the Code, together with a properly completed Internal Revenue Service Form W-8 or W-9, as applicable (or successor forms). Each Lender agrees that it shall, promptly upon a change of its lending office or the selection of any additional lending office, to the extent the forms previously delivered by it pursuant to this section are no longer effective, and promptly upon the Borrowers' or the Administrative Agent's reasonable request after the occurrence of any other event (including the passage of time) requiring the delivery of a Form W-8BEN, Form W-8ECI, Form W-8 or W-9 in addition to or in replacement of the forms previously delivered, deliver to the Borrowers and the Administrative Agent, as applicable, if and to the extent it is properly entitled to do so, a properly completed and executed Form W-8BEN, Form W-8ECI, Form W-8 or W-9, as applicable (or any successor forms thereto).

(c) The Borrowers shall not be required to pay any additional amounts to any Non-U.S. Lender in respect of United States federal withholding tax pursuant to Section 3.01(a) hereof to the extent that (i) the obligation to withhold such amounts existed on the date such Non-U.S. Lender became a party to this Agreement or, with respect to payments to a different lending office designated by the Non-U.S. Lender as its applicable lending office, the date such Non-U.S. Lender designated such new lending office with respect to a Loan; or (ii) the obligation to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Lender to comply with the provisions of paragraph (b) above.

(d) In the event that the Borrowers are required to make such deduction or withholding as a result of the fact that a Lender is a Non-U.S. Lender, such Lender shall use its reasonable best efforts to transfer its Loans to an affiliate that is a U.S. Lender if such transfer would have no adverse effect on such Lender or the Loans.

(e) Treatment of Certain Refunds. If the Administrative Agent, any Lender or the L/C Issuer determines, in its sole discretion, that it has received a refund of any taxes as to which it has been indemnified by the Borrowers or with respect to which the Borrowers have paid additional amounts pursuant to this Section, it shall pay to the Borrowers an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrowers under this Section with respect to the taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent, such Lender or the L/C Issuer, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrowers, upon the request of the Administrative Agent, such Lender or the L/C Issuer, agree to repay the amount paid over to the Borrowers (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent, such Lender or the L/C Issuer in the event the Administrative Agent, such Lender or the L/C Issuer is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent, any Lender or the L/C Issuer to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrowers or any other Person.

3.02 Illegality. If any Applicable Law has made it unlawful for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, then, on notice thereof by such Lender to the Borrowers through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrowers that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrowers shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrowers shall also pay accrued interest on the amount so prepaid or converted.

3.03 Inability to Determine Rates. If the Required Lenders determine that for any reason in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or (c) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Required Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrowers and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrowers may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Committed Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 3.04(e)) or the L/C Issuer;

(ii) subject any Lender or the L/C Issuer to any tax, levy, impost, duty, charge, fees, deduction or withholdings of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any Eurodollar Rate Loan made by it, or change the basis of taxation of payments to such Lender or the L/C Issuer in respect thereof (except for taxes covered by section 3.01 and the imposition of, or any change in the rate of, any Excluded Taxes of such Lender or L/C Issuer); or

(iii) impose on any Lender or the L/C Issuer or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Rate Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or the L/C Issuer of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the L/C Issuer hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or the L/C Issuer, the Borrowers shall pay to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or the L/C Issuer determines that any Change in Law affecting such Lender or the L/C Issuer or any Lending Office of such Lender or such Lender's or the L/C Issuer's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the L/C Issuer's capital or on the capital of such Lender's or the L/C Issuer's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the L/C Issuer, to a level below that which such Lender or the L/C Issuer or such Lender's or the L/C Issuer's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the L/C Issuer's policies and the policies of such Lender's or the L/C Issuer's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer or such Lender's or the L/C Issuer's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender or the L/C Issuer setting forth the amount or amounts necessary to compensate such Lender or the L/C Issuer or its

holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrowers shall be conclusive absent manifest error. The Borrowers shall pay such Lender or the L/C Issuer, as the case may be, the amount shown as due on any such certificate within 30 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or the L/C Issuer to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's or the L/C Issuer's right to demand such compensation, provided that the Borrowers shall not be required to compensate a Lender or the L/C Issuer pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than 90 Days prior to the date that such Lender or the L/C Issuer, as the case may be, notifies the Borrowers of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the L/C Issuer's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 90-Day period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on Eurodollar Rate Loans. The Borrowers shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided the Borrowers shall have received at least 10 days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 10 days prior to the relevant Interest Payment Date, such additional interest shall be due and payable 10 days from receipt of such notice.

3.05 Compensation for Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrowers shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by the Borrowers (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrowers; or

(c) any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrowers pursuant to Section 10.14;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrowers shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrowers to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

3.06 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.04, or the Borrowers are required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agree to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04 or is unable to lend under Section 3.02, or if the Borrowers are required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, the Borrowers may replace such Lender in accordance with Section 10.14.

3.07 Survival. All of the Borrowers' obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder.

ARTICLE IV.
CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

4.01 Conditions of Initial Credit Extension. The obligation of the L/C Issuer and each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Borrowers, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and each of the Lenders:

(i) executed counterparts of this Agreement and the Security Documents, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower;

(ii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Borrower as the Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement, the Security Documents and the other Loan Documents to which such Borrower is a party;

(iii) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Borrower is duly organized or formed, and that each Borrower is validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(iv) a favorable opinion of Wilmer, Cutler, Pickering, Hale and Dorr, LLP, and other counsel or special counsel to the Borrowers, as applicable, addressed to the Administrative Agent and each Lender, in form and substance satisfactory to the Administrative Agent;

(v) a certificate of a Responsible Officer of each Borrower either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by such Borrower and the validity against such Borrower of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;

(vi) a certificate signed by a Responsible Officer of the Borrowers certifying (A) that the conditions specified in Sections 4.02(a) and (b) have been satisfied, and (B) that there has been no event or circumstance since the date of the Audited Financial Statements that has had or would be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;

(vii) a certificate signed by a Responsible Officer of the Borrowers, dated as of the Closing Date, and in form and detail satisfactory to the Administrative Agent and the Lenders, demonstrating that the ratio of (a) Consolidated Total Funded Debt on the Closing Date to (b) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters most recently ended prior to the Closing Date, after giving effect on a pro forma basis to the transactions contemplated by this Agreement, does not exceed 3.75:1.00;

(viii) evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect;

(ix) satisfactory evidence of the payment of Indebtedness under the Existing Credit Agreement in accordance with Section 10.17 herein;

(x) such other assurances, certificates, documents, consents or opinions as the Administrative Agent, the L/C Issuer, the Swing Line Lender or the Required Lenders reasonably may require;

(xi) a completed and fully-executed Perfection Certificate in substantially the form attached hereto as Exhibit J for each of the Borrowers, the results of UCC searches (and the equivalent thereof in all applicable foreign jurisdictions) with respect to the Collateral, indicating no Liens other than Permitted Liens and otherwise in form and substance satisfactory to the Administrative Agent; and copies of duly filed UCC-1 forms for each of the Borrowers in each appropriate jurisdiction and office under the Uniform Commercial Code; and

(xii) a certificate signed by a Responsible Officer, in form and substance reasonably satisfactory to the Administrative Agent, certifying that (a) the Obligations are permitted senior Indebtedness under the existing Senior Subordinated Debt Documents, and (b) no default under the existing Senior Subordinated Debt Documents has occurred and is continuing or would result after giving effect to the transactions contemplated by this Agreement and the other Loan Documents.

(b) Any fees required to be paid on or before the Closing Date shall have been paid.

(c) the Borrower shall have paid all fees, charges and disbursements of counsel to the Administrative Agent to the extent invoiced prior to or on the Closing Date.

Without limiting the generality of the provisions of Section 9.04, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

4.02 Conditions to all Credit Extensions. The obligation of each Lender to honor any Request for a Credit Extension (other than a Loan Notice requesting only a conversion of Loans to the other Type, or a continuation of Eurodollar Rate Loans) is subject to the following conditions precedent:

(a) The representations and warranties of the Borrowers contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date and 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 do not have a Material Adverse Effect. For purposes of this Section 4.02, the representations and warranties contained in Section 5.05(a) shall be deemed to refer to the most recent statements furnished pursuant to Section 6.04(a).

(b) No Default shall exist, or would result from such proposed Credit Extension or from the application of the proceeds thereof.

(c) The Administrative Agent and, if applicable, the L/C Issuer or the Swing Line Lender shall have received a Request for Credit Extension in accordance with the requirements hereof.

Each Request for Credit Extension (other than a Loan Notice requesting only a conversion of Loans to the other Type or a continuation of Eurodollar Rate Loans) submitted by the Borrowers shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and/or (b), as applicable, have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES

The Borrowers jointly and severally represent and warrant to the Lenders, the L/C Issuer and the Administrative Agent that, on and as of the date of this Agreement (any disclosure on a schedule pursuant to this Article V shall be deemed to apply to all relevant representations and warranties, regardless of whether such schedule is referenced in each relevant representation):

5.01 Corporate Authority.

(a) Incorporation; Good Standing. Each of the Borrowers (i) is a corporation (or similar business entity) duly organized, validly existing and in good standing or in current status under the laws of its respective jurisdiction of organization, (ii) has all requisite corporate (or the equivalent company or partnership) 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 (or similar business entity) 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 the Loan Documents and the transactions contemplated hereby and thereby (i) are within the corporate (or the equivalent company or partnership) authority of each of the Borrowers, (ii) have been duly authorized by all necessary corporate (or other) 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, articles or bylaws (or equivalent other company or partnership documents) of the Borrowers or any agreement or other instrument binding upon the Borrowers, including, without limitation, the Indenture.

(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.

5.02 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.

5.03 Title to Properties; Leases. The Borrowers own all of the assets reflected in the consolidated balance sheet 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 or Liens (except for Permitted Liens).

5.04 Use of Proceeds. The proceeds of the Loans shall be used (a) to refinance the existing Indebtedness of the Borrowers under the Existing Credit Agreement, (b) for the redemption of the Series A Preferred Stock as permitted under Section 7.06(i), (c) for Capital Expenditures and (d) for working capital, permitted acquisitions, permitted common stock redemption and repurchases and other general corporate purposes. No proceeds of the Loans are to be used, and no portion of any Letter of Credit is to be obtained, in any way that will violate Regulations U or X of the Board of Governors of the Federal Reserve System. The Borrowers will obtain Letters of Credit solely for general corporate purposes.

5.05 Financial Statements; Solvency.

(a) Financial Statements. There has been furnished to the Lenders (i) consolidated balance sheets of the Parent and its Subsidiaries dated the Balance Sheet Date and consolidated statements of operations for the fiscal year then ended, certified by Pricewaterhouse Coopers LLP or an independent accounting firm of national standing (the "Accountants"). 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 Parent and its Subsidiaries, 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 dates 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) Solvency. The Borrowers as a whole (both before and after giving effect to the transactions contemplated by this Agreement) are and will be 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.

5.06 No Material Changes, Etc. Since the Balance Sheet Date there have occurred no changes in the financial condition or business of the Parent and its Subsidiaries (excluding Excluded Subsidiaries) as shown on or reflected in the consolidated balance sheet of the Parent and its Subsidiaries as at the Balance Sheet Date or the consolidated statements of income for the periods then ended that have could reasonably be expected to have Material Adverse Effect. Since the Balance Sheet Date there has not been any Restricted Payment not otherwise permitted under this Agreement.

5.07 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, except for such franchises, patents, copyrights, trademarks, trade names, licenses and permits which the Borrowers' failure to possess could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect.

5.08 Litigation. Except as shown on Schedule 5.08 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 could be reasonably likely to have a Material Adverse Effect, considered as a whole, or which question the validity of any of the Loan Documents, or any action taken or to be taken pursuant hereto or thereto and none of the scheduled matters individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

5.09 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 Material Adverse Effect. 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 Material Adverse Effect.

5.10 Compliance With Other Instruments, Laws, Etc. None of the Borrowers is violating any provision of its charter documents or by-laws (or equivalent company documents) 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 have a Material Adverse Effect.

5.11 Tax Status. The Borrowers have made or filed all United States federal and state income and all Canadian federal and provincial or territorial income, as applicable, 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 to the extent required in accordance with GAAP. All tax returns, report and declarations required by

any jurisdiction accurately disclose (except for discrepancies which are not material) the amount of tax payable by the Borrowers in the relevant jurisdiction except for the amounts being contested in good faith by the Borrowers. 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.

5.12 Employee Benefit Plans.

(a) In General. Each Employee Benefit Plan and each Guaranteed Pension 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 and the bonding of fiduciaries and other Persons handling plan funds as required by §412 of ERISA. Each Borrower has heretofore delivered to the Administrative Agent the most recently completed annual report, Form 5500, with all required attachments, and actuarial statement required to be submitted under §103(d) of ERISA, with respect to each Guaranteed Pension Plan.

(b) Terminability of Welfare Plans. No Employee Benefit Plan, which is an employee welfare benefit plan within the meaning of §3(1) or §3(2)(B) of ERISA, provides benefit coverage subsequent to termination of employment, except as required by Title I, Part 6 of ERISA or the applicable state insurance laws. A Borrower 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 without liability to any Person other than for claims arising prior to termination.

(c) Guaranteed Pension Plans. Each contribution required to be made to a Guaranteed Pension Plan, whether required to be made to avoid the incurrence of an accumulated funding deficiency, the notice or lien provisions of §302(f) of ERISA, or otherwise, has been timely made. No waiver of an accumulated funding deficiency or extension of amortization periods has been received with respect to any Guaranteed Pension Plan, and no Borrower nor any ERISA Affiliate is obligated to or has posted security in connection with an amendment to a Guaranteed Pension Plan pursuant to §307 of ERISA or §401(a)(29) of the Code. No liability to the PBGC (other than required insurance premiums, all of which have been paid) has been incurred by any Borrower or any ERISA Affiliate with respect to any Guaranteed Pension Plan and there has not been any ERISA Reportable Event (other than an ERISA Reportable Event as to which the requirement of 30 days notice has been waived), or any other event or condition which presents a material risk of termination of any Guaranteed Pension Plan by the PBGC. Based on the latest valuation of each Guaranteed Pension Plan (which in each case occurred within twelve months of the date of this representation), and on the actuarial methods and assumptions employed for that valuation, the aggregate benefit liabilities of all such Guaranteed Pension Plans within the meaning of §4001 of ERISA did not exceed the aggregate value of the assets of all such Guaranteed Pension Plans, disregarding for this purpose the

benefit liabilities and assets of any Guaranteed Pension Plan with assets in excess of benefit liabilities.

(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 insolvent under and within the meaning of §4241 or §4245 of ERISA or is at risk of entering reorganization or becoming insolvent, or that any Multiemployer Plan intends to terminate or has been terminated under §4041A of ERISA.

5.13 Subsidiaries; Equity Interests; Capitalization.

(a) Subsidiaries. Schedule 5.13(a) hereto sets forth a complete and accurate list of the Parent's Subsidiaries, and, with respect to all Borrower Subsidiaries, including the name of such Subsidiary and its jurisdiction of incorporation, together with the number of authorized and outstanding Equity Interests of such Subsidiary. Each Subsidiary (other than certain Excluded Subsidiaries and NELS) is directly or indirectly wholly-owned by the Parent. The Parent or a Borrower Subsidiary has good and marketable title to all of the Equity Interests it purports to own of each Subsidiary (other than Excluded Subsidiaries), free and clear in each case of any Lien. All such Equity Interests have been duly issued and are fully paid and non-assessable.

(b) Equity Interests. As of the March 31, 2005, the authorized capital stock of the Parent consists of (i) 100,000,000 shares of Class A common stock (par value $.01 per share) authorized of which 22,739,148 shares are outstanding, (ii) 1,000,000 shares of Class B common stock (par value $.01 per share) authorized of which 988,200 shares are outstanding, and (iii) 1,000,000 shares of preferred stock (par value $.01 per share) authorized of which 53,750 shares of Series A Preferred Stock are outstanding and held by the Series A Holders. All such outstanding shares have been duly issued and are fully paid and non-assessable. The Series A Holders are set forth in Schedule 5.13(b).

(c) Options, Etc. As of March 31, 2005, except as set forth on Schedule 5.13(c), no Person has outstanding any rights (either pre-emptive or other) or options (except for the options for common stock or other forms of equity-based compensation issued to employees, consultants or directors in accordance with a bona fide compensation 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 Equity Interests convertible into or exchangeable for its capital stock.

5.14 Holding Company and Investment Company Act. 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 an "investment company", or an "affiliated company" or a "principal

underwriter" of an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

5.15 Absence of Financing Statements, Etc. Except with respect to Permitted Liens and as set forth on Schedule 7.01 hereto, there is no effective 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 covers, affects or gives notice of any present or possible future Lien on any assets or property of any of the Borrowers or rights thereunder.

5.16 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 5.16:

(a) none of the Borrowers or Non-Borrower Subsidiaries, 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 RCRA, 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 or Canadian federal or provincial statute, regulation, ordinance, order or decree relating to health, safety or the environment (the "Environmental Laws"), which violation would have a Material Adverse Effect; and

(b) except where it would not have a Material Adverse Effect, no portion of the Real Property has been used for the handling, processing, storage or disposal of Hazardous Materials and no underground tank or other underground storage receptacle for Hazardous Materials is located on such properties; (ii) in the course of any activities conducted by the Borrowers or Non-Borrower Subsidiaries, or, to the Borrowers' knowledge by any other operators of the Real Property, no Hazardous Materials have been generated or are being used on such properties; and (iii) to the Borrowers' knowledge, there have been no unpermitted Releases or threatened Releases of Hazardous Materials on, upon, into or from the Real Property.

5.17 Perfection of Security Interests. All filings, assignments, pledges and deposits of documents or instruments have been made or will be made and all other actions have been taken or will be taken that are necessary under Applicable Law, or reasonably requested by the Administrative Agent or any of the Lenders, to establish and perfect the Administrative Agent's security interests (as collateral agent for the Lenders and the Agents) in the Collateral to the extent required pursuant to Section 10.15 hereof. The Collateral and the Administrative Agent's rights (as collateral agent for the Lenders and the Agents) 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.

5.18 Certain Transactions. Except as set forth on Schedule 5.18 or as permitted in Section 7.08, 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, the value of such transaction, when aggregated with all other such transactions occurring during the term of this Agreement, exceeds the Threshold Amount.

5.19 True Copies of Charter and Other Documents. The Borrowers have furnished the Administrative Agent copies, in each case true and complete as of the Closing Date, of (a) all charter and other incorporation or constituent documents (together with any amendments thereto) and (b) by-laws (or equivalent company documents) (together with any amendments thereto).

5.20 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 Lenders or the Administrative 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.

5.21 Guarantees of Excluded Subsidiaries. Except as permitted under Section 7.03, no Borrower has guaranteed Indebtedness or other financial obligations of any Excluded Subsidiary.

5.22 Obligations Constitute Senior Debt. The Obligations of the Borrowers hereunder are and will continue to be "Senior Debt" and "Designated Senior Debt" under and as defined in the Indenture.

ARTICLE VI.
AFFIRMATIVE COVENANTS

The Borrowers covenant and agree that, so long as any Obligation or any Letter of Credit is outstanding or the Lenders have any obligation to make Loans or the L/C Issuer has any obligation to issue, extend or renew any Letters of Credit hereunder, or the Lenders have any obligations to reimburse the L/C Issuer for drawings honored under any Letter of Credit hereunder:

6.01 Punctual Payment. The Borrowers will duly and punctually pay or cause to be paid the principal and interest on the Loans, all reimbursement obligations under Section 2.03(c), and all fees and other amounts provided for in this Agreement and the other Loan Documents for which they are liable, all in accordance with the terms of this Agreement and such other Loan Documents.

6.02 Maintenance of Office. The Borrowers will maintain their chief executive offices at the locations set forth on the Perfection Certificates delivered pursuant to Section 4.01(a)(xi), or at such other place in the United States of America as each Borrower shall designate upon thirty (30) days' prior written notice to the Administrative Agent.

6.03 Records and Accounts. Each of the Borrowers and the Non-Borrower Subsidiaries will (a) 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, (b) 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 and (c) at all times engage the Accountants as the independent certified public accountants of the Parent and its Subsidiaries.

6.04 Financial Statements, Certificates and Information. The Borrowers will deliver to the Administrative Agent and each of the Lenders the following:

(a) as soon as practicable, but, in any event not later than ninety (90) days after the end of each fiscal year of the Borrowers, the consolidated balance sheets of the Parent and its Subsidiaries as at the end of such year, statements of cash flows, and the related consolidated statements of operations, setting forth in comparative form the figures for the previous fiscal year, all such consolidated financial statements to be in reasonable detail, prepared, in accordance with GAAP and Certified by the Accountants. In addition, simultaneously therewith, the Borrowers will use their best efforts to provide the Lenders with a written statement from such Accountants to the effect that the Borrowers are in compliance with the financial covenants set forth in Section 7.11 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 Lenders for failure to obtain knowledge of any Default or Event of Default;

(b) as soon as practicable, but in any event not later than forty-five (45) days after the end of each fiscal quarter of the Borrowers, copies of the consolidated balance sheets and statement of operations of the Parent and its Subsidiaries as at the end of such quarter, 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 such consolidated financial statements were prepared in accordance with GAAP and fairly present the consolidated financial condition of the Borrowers and their Subsidiaries 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, (i) a Compliance Certificate certified by the CFO that the Borrowers are in compliance with the covenants contained in Article VI and Article VII of this Agreement 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 will include in such Compliance Certificate or otherwise deliver forthwith to the Lenders a certificate specifying the nature and period of existence thereof and what action the Borrowers propose to take with respect thereto and attaching, in the event such Default or Event of Default relates to Environmental Matters, an Environmental Compliance Certificate;

(d) 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 to the extent the same are not available on EDGAR;

(e) as soon as practicable, but in any event not later than thirty (30) days after the commencement of each fiscal year of the Borrowers and the Non-Borrower Subsidiaries, a copy of the annual budget, projections and business plan for the Borrowers and the Non-Borrower Subsidiaries for such fiscal year; and

(f) from time to time such other financial data and other information (including accountants' management letters) as the Lenders may reasonably request.

The Borrowers hereby authorize the Lenders to disclose any information obtained pursuant to this Agreement to all appropriate governmental regulatory authorities where required by Applicable Law; provided, however, that the Lenders shall, to the extent practicable and allowable under Applicable 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 Lenders 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.

Documents required to be delivered pursuant to this Section (to the extent any such documents are included in materials otherwise filed with the SEC and available in EDGAR) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrowers post such documents, or provide a link thereto on the Borrowers' website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Borrowers' behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrowers shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrowers to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrowers shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Borrowers shall be required to provide paper copies of the Compliance Certificates required by this Section to the Administrative Agent. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to

request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrowers with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrowers hereby acknowledge that (a) the Administrative Agent and/or the Arranger will make available to the Lenders and the L/C Issuer materials and/or information provided by or on behalf of the Borrowers hereunder (collectively, "Borrowers Materials") by posting the Borrowers Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders may be "public-side" Lenders (*i.e.,* Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender"). The Borrowers hereby agree that (w) all Borrowers Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrowers Materials "PUBLIC," the Borrowers shall be deemed to have authorized the Administrative Agent, the Arranger, the L/C Issuer and the Lenders to treat such Borrowers Materials as not containing any material non-public information with respect to the Borrowers or their securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrowers Materials constitute Information, they shall be treated as set forth in Section 10.07); (y) all Borrowers Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent and the Arranger shall be entitled to treat any Borrowers Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor." Notwithstanding the foregoing, the Borrowers shall be under no obligation to mark any Borrowers Materials "PUBLIC."

6.05 Legal Existence and Conduct of Business. Except where the failure of a Borrower or Non-Borrower Subsidiary to remain so qualified would not have a Material Adverse Effect, each Borrower and each Non-Borrower Subsidiary will do or cause to be done all things necessary to preserve and keep in full force and effect its legal existence, legal 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 have a Materially Adverse Effect on the Borrowers and Non-Borrower Subsidiaries taken as a whole. Each Borrower and each Non-Borrower Subsidiary will continue to engage primarily in the businesses now conducted by it and in related businesses.

6.06 Maintenance of Properties. The Borrowers and the Non-Borrower Subsidiaries 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 and Non-Borrower Subsidiaries 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 or Non-Borrower Subsidiary from discontinuing the operation and maintenance of any of its properties if such discontinuance is, in the judgment of

such Borrower or Non-Borrower Subsidiary, desirable in the conduct of its or their business and which does not in the aggregate have a Material Adverse Effect.

6.07 Maintenance of Insurance. The Borrowers and the Non-Borrower Subsidiaries will maintain with financially sound and reputable insurance companies, funds or underwriters' insurance, including self-insurance, of the kinds, covering the risks and in the relative proportionate amounts usually carried by reasonable and prudent companies conducting businesses similar to that of the Borrowers and Non-Borrower Subsidiaries. In addition, the Borrowers and the Non-Borrower Subsidiaries will furnish from time to time, upon the Administrative Agent's request, a summary of the insurance coverage of each of the Borrowers and Non-Borrower Subsidiaries, which summary shall be in form and substance satisfactory to the Administrative Agent and, if requested by the Administrative Agent, will furnish to the Administrative Agent copies of the applicable policies of the Borrowers naming the Administrative Agent as a loss payee thereunder**.**

6.08 Taxes. The Borrowers and the Non-Borrower Subsidiaries will each duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all material taxes, assessments and other governmental charges (other than taxes, assessments and other governmental charges imposed by jurisdictions other than the United States or Canada or a political division thereof which in the aggregate are not material to the business or assets of any Borrower or Non-Borrower Subsidiary on an individual basis or of the Borrowers and Non-Borrower Subsidiaries taken as a whole) 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 or Non-Borrower Subsidiary shall have set aside on its books adequate reserves with respect thereto; and provided, further, that such Borrower and Non-Borrower Subsidiary 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.

6.09 Inspection of Properties, Books and Contracts. The Borrowers shall permit the Lenders, the Administrative 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 Lenders or the Agents may reasonably request.

6.10 Compliance with Laws, Contracts, Licenses and Permits; Maintenance of Material Licenses and Permits. Each Borrower will, and will cause the Non-Borrower Subsidiaries to, except where noncompliance would not have a Material Adverse Effect (a) comply with the provisions of its charter documents, articles of incorporation, other constituent documents and by-laws and all agreements and instruments by which it or any of its properties may be bound; (b) 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"); (c) comply in all material respects with all agreements and instruments by which it or any of its properties may be bound; (d) maintain all material operating permits for all landfills now owned or hereafter acquired; and (e) 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 any Loan or Letter of Credit is outstanding or any Lender, the L/C Issuer or the Administrative 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 Lenders with evidence thereof.

6.11 Environmental Indemnification. The Borrowers covenant and agree that they will jointly and severally, in accordance with Section 10.12, indemnify and hold the Agents, the L/C Issuer and the Lenders, 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 Materials 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 Materials. 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 Agents and the Lenders and their respective successors and assigns.

6.12 Further Assurances. The Borrowers will cooperate with the Lenders and the Administrative Agent and execute such further instruments and documents as the Lenders or the Administrative Agent shall reasonably request to carry out to their satisfaction the transactions contemplated by this Agreement.

6.13 Notice of Potential Claims or Litigation. The Borrowers shall deliver to the Lenders and the Administrative Agent, within thirty (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 $2,500,000, or could otherwise reasonably be expected to have a Material Adverse Effect, together with a copy of each such notice received by any Borrower.

6.14 Notice of Certain Events Concerning Insurance and Environmental Claims.

(a) The Borrowers will provide the Lenders and the Agents with written notice as to any material cancellation or material adverse 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 material cancellation or material change by any of its insurers.

(b) The Borrowers will promptly notify the Lenders and the Agents in writing of any of the following events:

(i) upon any Borrower's obtaining knowledge of any violation of any Environmental Law which violation could have a Material Adverse Effect;

(ii) upon any Borrower's obtaining knowledge of any potential or known Release, or threat of Release, of any Hazardous Materials at, from, or into the Real Property which could have a Material Adverse Effect;

(iii) upon any Borrower's receipt of any notice of any material violation of any Environmental Law or of any Release or threatened Release of Hazardous Materials, including a notice or claim of liability or potential responsibility from any third party (including any federal, state, provincial, territorial 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) the presence or Release of Hazardous Materials on, from, or into the Real Property, or (C) investigation or remediation of offsite locations at which any Borrower or its predecessors are alleged to have directly or indirectly Released Hazardous Substances, and, in each case, with respect to which the liability associated therewith could be reasonably expected to exceed the Threshold Amount; or

(iv) upon any Borrower's obtaining knowledge that any expense or loss which individually or in the aggregate exceeds the Threshold Amount has been incurred by such Governmental Authority in connection with the assessment, containment, removal or remediation of any Hazardous Materials with respect to which any Borrower may be liable or for which a Lien may be imposed on the Real Property.

6.15 Notice of Default. The Borrowers will promptly notify the Lenders and the Administrative Agent 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 the Threshold Amount (including, without limitation, the Indenture) 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 Lenders and the Administrative Agent, describing the notice of action and the nature of the claimed default.

6.16 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 and the Non-Borrower Subsidiaries.

6.17 Subsidiaries. The Parent shall at all times directly or indirectly through a Subsidiary own all of the Equity Interests of each Subsidiary (other than the Excluded Subsidiaries and NELS).

6.18 Interest Rate Protection. The Borrowers will, within ninety (90) days of the Closing Date, have a minimum aggregate amount of not less than 30% of the notional amount of Consolidated Total Funded Debt as of the Effective Date on a fixed rate long term basis (whether through Swap Contracts or as a result of having a fixed rate of interest by its terms) on terms and conditions reasonably acceptable to the Administrative Agent.

6.19 Additional Borrowers. To the extent that such creation or acquisition is permitted under this Agreement, all newly-created or newly-acquired Subsidiaries (other than Excluded Subsidiaries and Non-Borrower Subsidiaries) shall become Borrowers hereunder by, if applicable, signing allonges to the Notes, entering into a joinder and affirmation to this Agreement in substantially the form of Exhibit G attached hereto (a "Joinder Agreement") providing that such Subsidiary shall become a Borrower hereunder, and providing such other documentation as the Lenders or the Administrative Agent may reasonably request including, without limitation, documentation with respect to conditions noted in Section 4.01 and 4.02 hereof. In such event, the Administrative Agent is hereby authorized by the parties to amend Schedule 1 hereto to include such Subsidiary as a Borrower hereunder.

ARTICLE VII.
NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding:

7.01 Liens. None of the Borrowers or the Non-Borrower Subsidiaries shall, directly or indirectly, create or incur or suffer to be created or incurred or to exist any Lien, of any kind upon any property or assets of any character (including, without limitation, any of the Collateral), 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 thirty (30) days after the same shall have become payable 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) Liens on property to secure Indebtedness permitted under Section 7.03(e) hereof, provided that such Liens (i) shall encumber only the specific equipment being

financed or leased, (ii) shall not exceed the fair market value thereof and (iii) shall not encumber property with an aggregate value in excess of $40,000,000;

(b) Liens to secure taxes, assessments and other government charges or claims for labor, material or supplies in respect of obligations not overdue and government liens in existence less than 90 days from the date of creation thereof to secure taxes, assessments, charges, levies or claims being contested in good faith by appropriate proceedings if the applicable Borrower shall have set aside on its books adequate reserves with respect thereto;

(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 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;

(e) 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;

(f) Liens existing as of the date hereof securing Indebtedness permitted under Section 7.03 hereof and listed on Schedule 7.01 hereto;

(g) Liens granted pursuant to the Security Documents to secure the Obligations (including secured Obligations hereunder with respect to Fuel Derivatives Obligations with Lenders);

(h) Liens granted to secure Indebtedness with respect to IRBs permitted pursuant to Section 7.03(o) only with respect to assets acquired and/or financed by such IRBs; and

(i) Liens on the Equity Interests of the Excluded Subsidiaries.

7.02 Investments. None of the Borrowers or the Non-Borrower Subsidiaries (other than the Insurance Subsidiary) shall, directly or indirectly, make or permit to exist or to remain outstanding any other Investment other than (collectively, "Permitted Investments"):

(a) Investments in obligations of the United States of America or Canada and agencies thereof and obligations guaranteed by the United States of America or Canada that are due and payable within one (1) year from the date of acquisition;

(b) certificates of deposit, time deposits, bankers' acceptances 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 or Canada and having total assets in excess of $1,000,000,000;

(c) commercial paper maturing not more than nine (9) 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 or "A-1" by S&P;

(d) Investments associated with insurance policies required or allowed by state or provincial law to be posted as financial assurance for landfill closure and post-closure liabilities;

(e) Investments by any Borrower in any other Borrower;

(f) Investments existing on the Closing Date and listed on Schedule 7.02 hereto;

(g) any money market account, short-term asset management account or similar investment account maintained with one of the Lenders;

(h) loans made to employees of any of the Borrowers in an aggregate amount not to exceed $2,000,000 at any time outstanding;

(i) Investments in the form of Permitted Acquisitions permitted pursuant to Section 7.04(a) hereof and Indebtedness permitted under Section 7.03 hereof; and

(j) Investments after the Closing Date in Excluded Subsidiaries not to exceed in the aggregate $75,000,000 outstanding at any time;

(k) Investments in the Insurance Subsidiary not to exceed $10,000,000 at any time outstanding; and

(l) temporary Investments in De Minimis Subsidiaries made solely in connection with their liquidation or dissolution.

provided; that none of the Borrowers or Non-Borrower Subsidiaries shall make any Investment in any Excluded 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.

7.03 Indebtedness. None of the Borrowers or the Non-Borrower Subsidiaries shall, directly or indirectly, become in any way obligated under a guarantee or become or be a 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 of the Borrowers to the Lenders, the L/C Issuer and the Administrative Agent arising under this Agreement and the Loan Documents;

(b) Subject to Section 7.09, Seller Subordinated Debt not to exceed $15,000,000 in aggregate outstanding principal amount at any time;

(c) Existing Indebtedness of the Borrowers with respect to loans and Capitalized Leases listed on Schedule 7.03 hereto, 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 Closing Date;

(d) Endorsements for collection, deposit or negotiation and warranties of products or services (including unsecured performance and payment bonds ("Performance Bonds")), in each case incurred in the ordinary course of business;

(e) Indebtedness of the Borrowers incurred in connection with the acquisition or lease of any equipment by the Borrowers under any Synthetic Lease, Capitalized Lease or other lease arrangement or purchase money financing; provided that the aggregate outstanding principal amount of such Indebtedness of the Borrowers (including Indebtedness of such type listed on Schedule 7.03) shall not exceed $40,000,000 at any time (excluding Indebtedness with respect to any Capital Leases that are landfill operating and management leases);

(f) Indebtedness of the Borrowers to any of the Lenders or any of their Affiliates 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 ("Fuel Derivatives Obligations"), provided that the maturity of such agreements do not exceed thirty-six (36) months and the terms thereof are consistent with past practices of the Borrowers;

(g) Indebtedness of the Borrowers in respect of non-speculative Swap Contracts on terms consistent with past practices of the Borrowers (other than those described in subsection (f) above);

(h) Other unsecured Indebtedness incurred in connection with the acquisition by the Borrowers of real or personal property, including any Indebtedness incurred with respect to non-compete payments in connection with such acquisition(s), provided that the aggregate outstanding principal amount of such Indebtedness of the Borrowers shall not exceed $15,000,000 at any time;

(i) Intercompany Indebtedness among the Borrowers and the Non-Borrower Subsidiaries;

(j) Indebtedness with respect to mandatory redemption obligations as set forth in the Series A Certificate and accrued dividends on the Borrower's preferred stock; provided that no Restricted Payments shall be made with respect to such Indebtedness

during the term of this Agreement except as set forth in Section 7.06 hereof, or as otherwise permitted by the prior written consent of the Required Lenders;

(k) Senior Subordinated Debt not to exceed $350,000,000 in aggregate principal amount;

(l) Surety and similar bonds and completion bonds and bid guarantees provided by or issued on behalf of the Borrowers with respect to the closure, final-closure and post-closure liabilities related to landfills owned or operated by the Borrowers; provided that the aggregate amount of such Indebtedness shall not exceed $150,000,000 at any time outstanding;

(m) Indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the Permitted Acquisitions or permitted dispositions of Equity Interests or assets of the Borrowers; provided that the maximum aggregate liability in respect of all such obligations shall at no time exceed the gross proceeds, including non-cash proceeds, (the fair market value of such non-cash proceeds being measured at the time received or paid and without giving effect to any subsequent changes in value) actually received or paid by the Borrowers in connection with such Permitted Acquisition or disposition;

(n) [Reserved]

(o) Indebtedness with respect to IRBs, provided that, other than with respect to L/C Supported IRBs, such Indebtedness shall not exceed $100,000,000 at any time outstanding;

(p) Guarantees of Indebtedness permitted pursuant to this Section 7.03(a) to (o) made by any of the Borrowers, provided that the amount of such guarantees does not exceed the amount of the underlying Indebtedness and that any guarantees of Subordinated Debt are equally subordinated; and

(q) Guarantees of Indebtedness of the Excluded Subsidiaries not exceeding $35,000,000 in the aggregate.

7.04 Mergers; Consolidation; Sales.

(a) Mergers and Acquisitions. None of the Borrowers or Foreign Subsidiaries shall, directly or indirectly, become a party to any merger, amalgamation, or consolidation, or agree to or effect any asset acquisition or stock acquisition (other than the acquisition of assets in the ordinary course of business consistent with past practices or the acquisition of Excluded Subsidiaries permitted under Section 7.02(j)) except the merger or consolidation of, or asset or stock acquisitions between Borrowers and except as otherwise provided in this Section 7.04(a). The Borrowers and the Foreign Subsidiaries may purchase or otherwise acquire all or substantially all of the assets or stock or other equity interests of any other Person (a "Permitted Acquisition") provided that:

(i) 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 its covenants and agreements contained in this Agreement, including the financial covenants in Section 7.11 hereof on a pro forma historical combined basis as if the transaction occurred on the first day of the period of measurement;

(ii) at the time of such acquisition, no Default or Event of Default has occurred and is continuing, and such acquisition will not otherwise create a Default or an Event of Default hereunder;

(iii) the business to be acquired is predominantly in the same lines of business as the Borrowers, or businesses reasonably related or incidental thereto (e.g., non-hazardous solid waste collection, transfer, hauling, recycling, or disposal);

(iv) the business to be acquired operates predominantly in the United States or Canada;

(v)(A) in the case of an asset acquisition, all of the assets acquired shall be acquired by an existing Borrower or a newly-created wholly-owned Subsidiary of the Parent, which, if it is a U.S. Subsidiary, shall become a Borrower hereunder in accordance with Section 6.19, and 100% of its Equity Interests and its assets shall be pledged simultaneously with such acquisition to the Administrative Agent for the benefit of the Lenders and the Agents, (B) in the case of an acquisition of Equity Interests of a U.S. company, the acquired company, simultaneously with such acquisition, shall become a Borrower in accordance with Section 6.19 and 100% of its Equity Interests and its assets shall be pledged simultaneously with such acquisition to the Administrative Agent for the benefit of the Lenders and the Administrative Agent or the acquired company shall be merged or amalgamated with and into a wholly-owned Subsidiary that is a Borrower and such newly-acquired or newly-created Subsidiary shall otherwise comply with the provisions of Section 6.19 hereof; or (C) in the case of acquisition of Equity Interests of a foreign Person that, in connection therewith, becomes a Foreign Subsidiary, the acquiring Borrower shall pledge 65% of the Equity Interests of such Foreign Subsidiary simultaneously with such acquisition to the Administrative Agent for the benefit of the Lenders and the Administrative Agent.

(vi) if the total consideration in connection with any such acquisition, including the aggregate amount of all liabilities assumed, but excluding the payment of all fees and expenses relating to such purchase, exceeds the Threshold Amount (a "Material Acquisition"), then not later than seven (7) days prior to the proposed acquisition date, the Borrowers shall furnish the Administrative Agent with (i) a copy of the purchase agreement, (ii) its audited (if available, or otherwise unaudited) financial statements for the preceding two (2) fiscal years or such shorter period of time as such entity or division has been in existence, (iii) a summary of the Borrowers' results of their standard due diligence review, (iv) in the case of a landfill acquisition or if the target company owns a landfill, a review by a Consulting Engineer and a copy of the Consulting Engineer's report, (v) a Compliance Certificate demonstrating compliance with Section 7.11

hereof on a pro forma historical combined basis as if the transaction occurred on the first day of the period of measurement, (vi) written evidence that the board of directors and (if required by Applicable Law) the shareholders, or the equivalent thereof, of the business to be acquired have approved such acquisition, and (vii) such other information as the Administrative Agent may reasonably request, which in each case shall be in form and substance acceptable to the Administrative Agent;

(vii) the board of directors and (if required by Applicable Law) the shareholders, or the equivalent thereof, of the business to be acquired shall have approved such acquisition;

(viii) if such acquisition is made by a merger or amalgamation, a Borrower, or a wholly-owned Subsidiary of the Parent (which may be the acquired company) which shall become a Borrower in connection with such merger, shall be the surviving entity, except with respect to an Excluded Subsidiary or Non-Borrower Subsidiary; provided, that if the surviving entity is a Foreign Subsidiary, the applicable Borrower shall pledge 65% of the Equity Interests of such Foreign Subsidiary simultaneously with such merger or amalgamation to the Administrative Agent for the benefit of the Lenders and the Administrative Agent; and

(ix) cash consideration to be paid by any Borrower in connection with any acquisition or series of related acquisitions (including cash deferred payments, contingent or otherwise, and the aggregate amount of all Indebtedness assumed or, in the case of an acquisition of Equity Interests, including all Indebtedness of the target company) shall not exceed $20,000,000 without the consent of the Administrative Agent and the Required Lenders.

(b) Dispositions of Assets. Except as otherwise provided in this Section, none of the Borrowers or the Foreign Subsidiaries shall, directly or indirectly, become a party to or agree to or effect any disposition of assets; provided that, subject to any mandatory repayment provisions in respect of the Term B Loan set forth in the Conforming Amendment, so long as no Default or Event of Default has occurred and is continuing, during the term of this Agreement, the Borrowers and the Foreign Subsidiaries may (i) sell or transfer assets (including in connection with an asset swap) or Equity Interests having an aggregate fair market value not in excess of 5% of Consolidated Total Assets (the "Basket"), for fair and reasonable value, as determined by the board of directors of the Parent in good faith and evidenced by a resolution of such directors which shall be delivered by the Parent to the Administrative Agent prior to the consummation of such sale or transfer, and, in the case of an asset swap, so long as such asset swap in the reasonable business judgment of the Parent does not have a Material Adverse Effect and (ii) sell the Equity Interests or assets of the Specified Entities. Notwithstanding the foregoing, the sale of inventory, the licensing of intellectual property and the disposition of obsolete assets or assets that are no longer useful, in each case in the ordinary course of business consistent with past practices, are permitted hereunder without being charged against the Basket.

(c) Notwithstanding anything to the contrary in this Section 7.04, the Borrowers and the Foreign Subsidiaries may merge, amalgamate or liquidate any De Minimis Subsidiaries.

7.05 Reserved.

7.06 Restricted Payments. None of the Borrowers or the Non-Borrower Subsidiaries (other than the Insurance Subsidiary) shall, directly or indirectly, make any Restricted Payments except that, (a) any Subsidiary may declare or pay Distributions to the Parent or its own parent, (b) the Parent may cause quarterly Distributions on its preferred stock (including the Series A Preferred Stock) to accrue and be added to the liquidation value of such preferred stock, (c) the Parent may convert all or a portion of the Series A Preferred Stock into shares of its common stock; provided, however, that such conversion shall not be made unless permitted under the terms of the Senior Subordinated Debt Documents, (d) NELS may make ratable distributions to its equity holders and make payments under contracts or other arrangements entered into with any of its equity holders, and (e) provided no Default or Event of Default shall have occurred and be continuing, the Parent may pay cash Distributions not to exceed $3,500,000 per fiscal year in connection with the Series A Preferred Stock. In addition, except as otherwise expressly permitted in this Section, the Borrowers shall not prepay, redeem, convert, retire, repurchase or otherwise acquire shares of any class of Equity Interests of the Borrowers or Non-Borrower Subsidiaries without the prior written consent of the Administrative Agent and the Required Lenders, provided that, so long as no Default or Event of Default shall have occurred and be continuing, the Parent shall be permitted to:

(i) redeem the Series A Preferred Stock for a price not to exceed $77,000,000 so long as, after giving effect to the redemption and any Borrowing incurred to accomplish such redemption on a pro forma basis, the ratio of (A) Consolidated Total Funded Debt as of such date to (B) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters ending prior to such date shall not exceed 4.50:1.00; and

(ii) repurchase its common stock for a maximum aggregate amount of $30,000,000 during the period from the Closing Date to the Maturity Date (or such earlier date as the Commitments are terminated pursuant to the terms hereunder) so long as, after giving effect to any Borrowing incurred to accomplish such repurchase on a pro forma basis, the ratio of (A) Consolidated Total Funded Debt as of such date to (B) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters ending prior to such date shall not exceed 4.00:1.00.

7.07 Change in Nature of Business. None of the Borrowers or the Non-Borrower Subsidiaries shall, directly or indirectly, engage in any material line of business substantially different from those lines of business conducted by the Borrower and Non-Borrower Subsidiaries on the date hereof or any business substantially related or incidental thereto.

7.08 Transactions with Affiliates. None of the Borrowers or the Non-Borrower Subsidiaries shall, directly or indirectly, enter into any transaction of any kind with any Affiliate (other than for services as employees, officers and directors of any of the Borrowers or Non-Borrower Subsidiaries), whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to the Borrowers or Non-Borrower Subsidiaries as would be obtainable by the Borrowers or Non-Borrower Subsidiaries at the time in a comparable arm's length transaction with a Person other than an Affiliate.

7.09 Burdensome Agreements; Negative Pledges. None of the Borrowers or the Non-Borrower Subsidiaries shall, directly or indirectly, enter into any Contractual Obligation (other than this Agreement, any other Loan Document or the Senior Subordinated Debt Documents) that limits the ability (a) of any Subsidiary (other than the Excluded Subsidiaries or the Insurance Subsidiary) to make Restricted Payments to the Parent or to otherwise transfer property to the Parent, or (b) of any of the Borrowers or Non-Borrower Subsidiaries (other than the Insurance Subsidiary) to create, incur, assume or suffer to exist Liens in favor of the Administrative Agent on property of such Person; provided, however, that this clause (ii) shall not prohibit any negative pledge incurred or provided in favor of any holder of Indebtedness permitted under Section 7.03(e) hereof solely to the extent any such negative pledge relates to the property financed by or the subject of such Indebtedness.

7.10 Use of Proceeds. None of the Borrowers shall use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB), except as set forth in section 5.04 (provided it is not in violation of Regulation U of the FRB), or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose or for any purpose other than as set forth in Section 5.04 hereof.

7.11 Financial Covenants.

For the avoidance of doubt, notwithstanding anything to the contrary in the Agreement, it is understood that the following financial covenants shall be calculated exclusive of the assets, liabilities (except for liabilities of the Excluded Subsidiaries that are recourse to the Borrowers), net worth and operations of the Excluded Subsidiaries.

(a) Interest Coverage Ratio. As at the end of any fiscal quarter, the Borrowers shall not permit the ratio of (a) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters then ending to (b) Consolidated Total Interest Expense for such period to be less than 2.75:1.00.

(b) Consolidated Total Funded Debt to Consolidated EBITDA. As at the end of any fiscal quarter, the Borrowers shall not permit the ratio of (a) Consolidated Total Funded Debt as of such date to (b) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters then ending to exceed 4.75:1.00.

(c) Consolidated Senior Funded Debt to Consolidated EBITDA. As at the end of any fiscal quarter, the Borrowers shall not permit the ratio of (a) Consolidated Senior Funded Debt as of such date to (b) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters then ending to exceed 3.00:1.00.

(d) Consolidated Net Worth. The Borrowers shall not permit Consolidated Net Worth at any time to be less than the sum of (a) $152,000,000 plus (b) on a cumulative basis, fifty percent (50%) of positive Consolidated Adjusted Net Income (after the payment of dividends with respect to Series A Preferred Stock) for each fiscal quarter beginning with the fiscal quarter ended April 30, 2005, plus (c) one hundred percent (100%) of the proceeds of any sale by the

Borrowers after the Closing Date of (i) Equity Interests issued by the Borrowers (other than to a Borrower), or (ii) warrants or subscription rights for Equity Interests issued by the Borrowers (other than to a Borrower). The parties hereto agree that this covenant shall be adjusted by the Administrative Agent upon the occurrence of any of the following events or dates, as applicable, to account for the reduction, if any, in Consolidated Net Worth resulting from such transaction or occurrence, as applicable: (A) the earlier to occur of (i) the first day of the second fiscal quarter of the Borrowers commencing on or about August 1, 2006, or (ii) the Borrowers' redemption of the Series A Preferred Stock, or (B) any repurchases by the Parent of its common stock as permitted pursuant to Section 7.06 hereof, to reflect the change in Consolidated Net Worth as a result of any such occurrence.

(e) Capital Expenditures. Permit, as at the end of any fiscal year, the amount of Capital Expenditures (excluding any Permitted Acquisitions) made by the Borrowers for the period of 12 consecutive months then ended to exceed 1.75 multiplied by the sum of depreciation and landfill amortization expense for such 12-month period (calculated in accordance with GAAP).

7.12 Sale and Leaseback. None of the Borrowers or the Non-Borrower Subsidiaries (other than the Insurance Subsidiary) shall, directly or indirectly, enter into any arrangement, directly or indirectly, whereby any Borrower or any such Non-Borrower Subsidiary 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 or any such Non-Borrower Subsidiary intends to use for substantially the same purpose as the property being sold or transferred, without the prior written consent of the Required Lenders.

7.13 No Other Senior Debt. None of the Borrowers or the Non-Borrower Subsidiaries (a) have designated, or will designate, any Indebtedness of the Borrowers or the Non-Borrower Subsidiaries as "Designated Senior Debt" for purposes of (and as defined in) the Indenture, other than the Obligations, and (b) have "Senior Debt" as such term is defined in the Indenture other than the Obligations and any Indebtedness permitted under Section 7.03 which ranks pari passu with the Obligations.

7.14 Actions Otherwise Prohibited By Subordinated Debt. Notwithstanding anything contained in this Article VII that permits the Borrowers or any of their Subsidiaries to enter into transactions or take certain actions, the Borrowers shall not enter into such transactions or take such actions if otherwise prohibited from so doing by the terms of the Senior Subordinated Debt outstanding from time to time.

7.15 Employee Benefit Plans. None of the Borrowers or any ERISA Affiliate shall, directly or indirectly:

(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) amend any Guaranteed Pension Plan in circumstances requiring the posting of security pursuant to §307 of ERISA or §401(a)(29) of the Code; or

(e) 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 Lenders 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 Lenders 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.

7.16 Prepayments of Certain Obligations; Modifications of Subordinated Debt. None of the Borrowers or the Non-Borrower Subsidiaries shall, directly or indirectly, (a) amend, supplement or otherwise modify the terms of any Subordinated Debt; provided, that the Borrowers may amend, supplement or otherwise modify the terms of any Seller Subordinated Debt with the consent of the Administrative Agent if, in the judgment of the Administrative Agent, such amendments, supplements or modifications do not adversely effect the rights of the Lenders, (b) prepay, redeem or repurchase or issue any notice or offer of redemption with respect to, elect to make, or effect, a defeasance with respect to, or take any other action which would require the Borrowers or any of their Subsidiaries to, prepay, redeem or repurchase any of the Subordinated Debt, (c) make any payments with respect to any Seller Subordinated Debt other than scheduled payments of principal and interest as and to the extent permitted under the applicable Subordination Agreements, provided that no Default or Event of Default shall have occurred or be continuing on the date of such payment, nor would be created by the making of such payment, or (d) make any payments with respect to any Senior Subordinated Debt other than (i) scheduled payments of interest as and to the extent permitted under the Indenture or (ii) payments of principal made from the proceeds of equity offerings after the Closing Date, provided, in each case, that no Default or Event of Default shall have occurred or be continuing on the date of such payment, nor would be created by the making of such payment.

7.17 Upstream Limitations. None of the Borrowers shall enter into any agreement, contract or arrangement (excluding this Agreement, the other Loan Documents and the Indenture) restricting the ability of (i) the Borrowers to amend or modify this Agreement or any other Loan Document, or (ii) any Borrower to pay or make dividends or distributions in cash or kind to any Borrower or to make loans, advances or other payments of whatsoever nature to any Borrower or to make transfers or distributions of all or any part of such Borrower's assets to a Borrower; in each case other than (x) restrictions on specific assets which assets are the subject

of purchase money security interests to the extent permitted under Section 7.03(e), and (y) customary anti-assignment provisions contained in leases and licensing agreements entered into by such Borrower in the ordinary course of its business.

ARTICLE VIII.
EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default. If any of the following events ("Events of Default") shall occur:

(a) if the Borrowers shall fail to pay any principal of the Loans or any L/C Obligation hereunder when 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;

(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 any of the covenants contained in Sections 6.01, 6.04, 6.05, 6.10, 6.11, 6.13, 6.15, 6.19 or Article VII 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 thirty (30) days after written notice of such failure has been given to the Borrowers by the Lenders;

(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 or Non-Borrower Subsidiary 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 or credit received or in respect of any Capitalized Leases, Synthetic Leases or Swap Contracts, in each case, in an aggregate amount greater than the Threshold Amount (including, without limitation, the Indebtedness evidenced by the Indenture), 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 or credit received or in respect of any Capitalized Leases in an aggregate amount greater than the Threshold Amount (including, without limitation, the Indenture) for such period of time as would permit, assuming the giving of appropriate notice if required, the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof;

(g) if any Borrower or Non-Borrower Subsidiary 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, receiver or receiver/manager of any Borrower or Non-Borrower Subsidiary or of any substantial part of the assets of any Borrower or Non-Borrower Subsidiary or commences any case or other proceeding relating to any Borrower or Non-Borrower Subsidiary 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 or Non-Borrower Subsidiary and any Borrower or Non-Borrower Subsidiary indicates its approval thereof, consent thereto or acquiescence therein;

(h) a decree or order is entered appointing any such trustee, custodian, liquidator, receiver or receiver/manager or adjudicating any Borrower or Non-Borrower Subsidiary 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 or Non-Borrower Subsidiary 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 forty-five (45) days, whether or not consecutive, any final judgment against any Borrower or Non-Borrower Subsidiary which, with other outstanding final judgments, against the Borrowers and Non-Borrower Subsidiaries exceeds in the aggregate the Threshold Amount after taking into account any undisputed insurance coverage;

(j) any Borrower or Non-Borrower Subsidiary or any ERISA Affiliate incurs any liability to the PBGC or similar Canadian authorities or a Guaranteed Pension Plan (or any corresponding plan described in any Applicable Canadian Pension Legislation) pursuant to Title IV of ERISA in an aggregate amount exceeding the Threshold Amount, or any Borrower or Non-Borrower Subsidiary or any ERISA Affiliate is assessed withdrawal liability pursuant to Title IV of ERISA by a Multiemployer Plan requiring aggregate annual payments exceeding the Threshold Amount, or any of the following occurs with respect to a Guaranteed Pension Plan (or any corresponding plan described in any Applicable Canadian Pension Legislation): (i) an ERISA Reportable Event or similar event under Applicable Canadian Pension Legislation, or a failure to make a required installment or other payment (within the meaning of §302(f)(1) of ERISA), provided that the Administrative Agent determines in its reasonable discretion that such event (A) could be expected to result in liability of any Borrower or Non-Borrower Subsidiary to the PBGC, similar Canadian authorities or such Plan in an aggregate amount exceeding the Threshold Amount and (B) could constitute grounds for the termination of such Plan by the PBGC or similar Canadian authorities, for the appointment by the appropriate United States District Court or Canadian Court of a trustee to administer such Plan or for the imposition of a lien in favor of such Plan; or (ii) the appointment by a United States District Court or Canadian Court of a trustee to administer such Plan; or (iii) the institution by the PBGC or similar Canadian authorities of proceedings to terminate such Plan;

(k) 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 Lenders, 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;

(l) any Person or group of Persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 25% or more of the outstanding shares of common stock of the Parent (other than Berkshire Partners LLC); or, during any period of twelve consecutive calendar months, individuals who were directors of the Parent on the first day of such period shall cease to constitute a majority of the board of directors of the Parent;

(m) a "Change of Control" as defined in the Series A Certificate shall occur; or

(n) a "Change of Control" as defined in the Indenture or other Senior Subordinated Debt Document shall occur;

then, and in any such event, so long as the same may be continuing, the Administrative Agent shall upon the request of the Required Lenders, by notice in writing to the Borrowers, declare all amounts owing with respect to this Agreement and the other Loan Documents 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 Section 8.01(g) or (h), all such amounts shall become immediately due and payable automatically and without any requirement of notice from the Administrative Agent or any Lender.

8.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(c) require that the Borrowers Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof); and

(d) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrowers under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrowers to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

8.03 Application of Funds. After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable and the L/C Obligations have automatically been required to be Cash Collateralized as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to the payment of, or (as the case may be) the reimbursement of the Administrative Agent for or in respect of all reasonable costs, expenses, disbursements and losses which shall have been incurred or sustained by the Administrative Agent in connection with the collection of such monies by the Administrative Agent, for the exercise, protection or enforcement by the Administrative Agent of all or any of the rights, remedies, powers and privileges of the Administrative Agent under this Agreement or any of the other Loan Documents or in respect of the Collateral or in support of any provision of adequate indemnity to the Administrative Agent against any taxes or liens which by law shall have, or may have, priority over the rights of the Administrative Agent to such monies;

Second, to all other Obligations pari passu among the Administrative Agent and the Lenders; provided, however, that (i) distributions shall be made with respect to each type of Obligation owing to the Lenders, such as interest, principal, fees and expenses, among the Lenders on a pro rata basis, and (ii) the Administrative Agent shall make proper allowance to take into account any L/C Obligations not then due and payable;

Third, upon payment and satisfaction in full or other provisions for payment in full satisfactory to the Lenders and the Administrative Agent of all of the Obligations, to the payment of any obligations required to be paid pursuant to §9-608(a)(1)(C) or 9-615(a)(3) of the Uniform Commercial Code of the Commonwealth of Massachusetts; and

Fourth, the excess, if any, after all Obligations have been indefeasibly paid in full, shall be returned to the Borrowers or to such other Persons as are entitled thereto.

Subject to Section 2.03(c), any amounts used to Cash Collateralize the aggregate Maximum Drawing Amount shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been

fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above.

ARTICLE IX.
ADMINISTRATIVE AGENT

9.01 Appointment and Authority. Each of the Lenders and the L/C Issuer hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the L/C Issuer, and the Borrowers shall not have rights as a third party beneficiary of any of such provisions.

9.02 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrowers or any Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

9.03 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrowers or any of their Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable to the Lenders for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrowers, a Lender or the L/C Issuer.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

9.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the L/C Issuer, the Administrative Agent may presume that such condition is satisfactory to such Lender or the L/C Issuer unless the Administrative Agent shall have received notice to the contrary from such Lender or the L/C Issuer prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

9.06 Resignation of Administrative Agent. The Administrative Agent may resign at any time by giving sixty (60) days' prior written notice thereof to the Lenders and the Borrowers.

Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Lender Agent, which shall be a financial institution which shall be a financial institution having a rating of not less than "A" or its equivalent by S&P. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative 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 Administrative Agent. Any new Administrative Agent appointed pursuant to this Section shall immediately issue new Letters of Credit in place of Letters of Credit previously issued by the resigning Administrative Agent, or otherwise make arrangements to Cash Collateralize or to provide a backing Letter of Credit to the satisfaction of the resigning Administrative Agent.

9.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and the L/C Issuer acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the L/C Issuer also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

9.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the Bookrunners or Arranger listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or the L/C Issuer hereunder.

9.09 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Borrower, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the L/C Issuer and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and

advances of the Lenders, the L/C Issuer and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the L/C Issuer and the Administrative Agent under Sections 2.03, 2.09 and 10.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the L/C Issuer to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the L/C Issuer, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 10.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or the L/C Issuer any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

9.10 Collateral Matters. The Lenders and the L/C Issuer irrevocably authorize the Administrative Agent,

(a) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (i) upon termination of the Aggregate Commitments and payment in full of all Obligations (other than contingent indemnification obligations) and the expiration or termination of all Letters of Credit, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) subject to Section 10.01, if approved, authorized or ratified in writing by the Required Lenders;

(b) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.01(a);

(c) to release any Borrower from its Obligations hereunder if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property or to release a Borrower or its property from its obligations hereunder pursuant to this Section; provided, however, that such confirmation shall not be a condition to such release.

ARTICLE X.
MISCELLANEOUS

10.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by any Borrower therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrowers or applicable Borrower, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 4.01(a) without the written consent of each Lender;

(b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment or mandatory prepayment of principal, interest, fees or other amounts due to the Lenders (or any of them) or any scheduled or mandatory reduction of the Aggregate Commitments hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby (it being understood that any vote to rescind any acceleration of amounts owing with respect to the Loans and other Obligations shall only require the approval of the Required Lenders);

(d) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or (subject to clause (v) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document**,** without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary (i) to amend the definition of "Default Rate" or to waive any obligation of any of the Borrowers to pay interest or Letter of Credit Fees at the Default Rate or (ii) to amend any financial covenant hereunder (or any defined term used therein) even if the effect of such amendment would be to reduce the rate of interest on any Loan or L/C Borrowing or to reduce any fee payable hereunder;

(e) change Section 2.13, section 2.14 or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;

(f) change any provision of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder without the written consent of each Lender; and

(g) other than pursuant to a transaction permitted by the terms of this Agreement, release (A) all or substantially all of the Collateral (excluding, if any Borrower becomes a debtor under the federal Bankruptcy Code, the release of "cash collateral", as defined in Section 363(a) of the federal Bankruptcy Code pursuant to a cash collateral stipulation with the debtor approved by the Required Lenders) or (B) any Borrower from its Obligations.

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the L/C Issuer in addition to the Lenders required above, affect the rights or duties of the L/C Issuer under this Agreement or any Issuer Document relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, affect the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; (iv) Section 10.06(h) may not be amended, waived or otherwise modified without the consent of each Granting Lender all or any part of whose Loans are being funded by an SPC at the time of such amendment, waiver or other modification; and (v) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

10.02 Notices; Effectiveness; Electronic Communication.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrowers, the Administrative Agent, the L/C Issuer or the Swing Line Lender, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the L/C Issuer hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender or the L/C Issuer pursuant to Article II if such Lender or the L/C Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrowers may, in their discretion, agree to

accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrowers, the Excluded Subsidiaries, any Lender, the L/C Issuer or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrowers' or the Administrative Agent's transmission of Borrowers Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence, breach in bad faith of the Administrative Agent's obligations under this subsection (c) or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrowers, the Excluded Subsidiaries, any Lender, the L/C Issuer or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of the Administrative Agent, the L/C Issuer, the Swing Line Lender and each of the Borrowers may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrowers, the Administrative Agent, the L/C Issuer and the Swing Line Lender. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(e) Reliance by Administrative Agent, L/C Issuer and Lenders. The Administrative Agent, the L/C Issuer and the Lenders shall be entitled to rely and act upon any notices (including telephonic Committed Loan Notices and Swing Line Loan Notices) purportedly given by or on behalf of the Borrowers even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrowers, jointly and severally, shall indemnify the Administrative Agent, the L/C Issuer, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrowers. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.03 No Waiver; Cumulative Remedies. No failure by any Lender, the L/C Issuer or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.04 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrowers shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the L/C Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Lender or the L/C Issuer (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Lender or the L/C Issuer), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent, any Lender or the L/C Issuer, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Indemnification by the Borrowers. The Borrowers, jointly and severally, shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and the L/C Issuer, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all

fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any of the Borrowers, or any Environmental Liability related in any way to any of the Borrowers, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by any of the Borrowers against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if such Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Borrowers for any reason fail to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), the L/C Issuer or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the L/C Issuer or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the L/C Issuer in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or L/C Issuer in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, none of the parties hereto shall assert, and each of the parties hereto hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other

information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments. All amounts due under this Section shall be payable not later than ten Business Days after demand therefor.

(f) Survival. The agreements in this Section shall survive the resignation of the Administrative Agent and the L/C Issuer, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.05 Payments Set Aside. To the extent that any payment by or on behalf of the Borrowers is made to the Administrative Agent, the L/C Issuer or any Lender, or the Administrative Agent, the L/C Issuer or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, the L/C Issuer or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, and to the extent permitted by law, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and the L/C Issuer severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders and the L/C Issuer under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

10.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section, or (iv) to an SPC in accordance with, and subject to the limitations in, the provisions of subsection (h) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the L/C Issuer and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrowers otherwise consent (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met;

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this clause (ii) shall not apply to rights in respect of Swing Line Loans;

(iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount, if any, required as set forth in Schedule 10.06, and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrowers (at their expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of

this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by each of the Borrowers and the L/C Issuer at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to the Loan Documents is pending, any Lender may request and receive from the Administrative Agent a copy of the Register.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrowers or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrowers' Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent, the Lenders and the L/C Issuer shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in Section 10.01 (other than under Section 10.10(a) and (b)) that affects such Participant. Subject to subsection (e) of this Section, the Borrowers agree that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.13 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01, 3.04 or 3.05 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrowers' prior written consent.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) Special Purpose Funding Vehicle. Notwithstanding anything to the contrary contained in this Section, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") of such Granting Lender, identified as such in writing from time to time delivered by the Granting Lender to the Administrative Agent and the Borrowers, the option to provide to the Borrowers all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrowers pursuant to this Agreement, provided that (a) nothing herein shall constitute a commitment to make any Loan by any SPC, (b) the Granting Lender's obligations under this Agreement shall remain unchanged, (c) the Granting Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement and (d) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by the Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any expense reimbursement, indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the later of (i) the payment in full of all outstanding senior indebtedness of any SPC and (ii) the Maturity Date, (or, as applicable, any maturity date relating to the Term B Loan), it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States of America or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section, any SPC may (A) with notice to, but (except as specified below) without the prior written consent of, the Borrowers or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to its Granting Lender or to any financial institutions (consented to by the Administrative Agent and, so long as no Default or Event of Default has occurred and is continuing, the Borrowers, which consents shall not be unreasonably withheld or delayed) providing liquidity and/or credit facilities to or for the account of such SPC to fund the Loans made by such SPC or to support the securities (if any) issued by such SPC to fund such Loans and (B) disclose on a confidential basis any non-public

information relating to its Loans (other than financial statements referred to in Sections 5.05 and 6.04) to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit or liquidity enhancement to such SPC. In no event shall the Borrowers be obligated to pay to an SPC that has made a Loan any greater amount than the Borrowers would have been obligated to pay under this Agreement if the Granting Lender had made such Loan. An amendment to this Section 10.06(h) without the written consent of an SPC shall be ineffective insofar as it alters the rights and obligations of such SPC.

10.07 Treatment of Certain Information; Confidentiality. Each of the Administrative Agent, the Lenders and the L/C Issuer agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives in connection with this Agreement (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by Applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any of the Borrowers and its obligations, (g) with the consent of the Borrowers or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender, the L/C Issuer or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrowers.

For purposes of this Section, "Information" means all information received from the Borrowers relating to the Borrowers or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or the L/C Issuer on a nonconfidential basis prior to disclosure by the Borrowers. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent, the Lenders and the L/C Issuer acknowledges that (a) the Information may include material non-public information concerning the Borrowers or a Excluded Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with Applicable Laws, including Federal and state securities laws.

Notwithstanding the foregoing, unless specifically prohibited by Applicable Law or court order, each of the Lenders, the L/C Issuer and the Administrative Agent shall, prior to disclosure

thereof, notify the Borrowers of any request for disclosure of any such non-public information by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender, the L/C Issuer or the Administrative Agent by such governmental agency) or pursuant to legal process.

10.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender, the L/C Issuer and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the L/C Issuer or any such Affiliate to or for the credit or the account of any of the Borrowers against any and all of the obligations of any of the Borrowers now or hereafter existing under this Agreement or any other Loan Document to such Lender or the L/C Issuer, irrespective of whether or not such Lender or the L/C Issuer shall have made any demand under this Agreement or any other Loan Document and although such obligations of any of the Borrowers may be contingent or unmatured or are owed to a branch or office of such Lender or the L/C Issuer different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender, the L/C Issuer and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the L/C Issuer or their respective Affiliates may have. Each Lender and the L/C Issuer agrees to notify the Borrowers and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.09 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by Applicable Laws (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrowers. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by Applicable Laws, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

10.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery

of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

10.11 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent, the Lender or any Term B Lender may have had notice or knowledge of any Default at the time of any Credit Extension unless notice of Default in accordance with Section 6.15 has been received and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

10.12 Concerning Joint and Several Liability of the Borrowers

(a) Each of the Borrowers is accepting joint and several liability for all of the Obligations in consideration of the financial accommodations to be provided by the Administrative Agent, the L/C Issuer and the Lenders 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 of the Borrowers.

(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 of the Borrowers (including, without limitation, any Obligations arising under this Section), it being the intention of the parties hereto that all of 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 Section 10.12 constitute full recourse obligations of each such Borrower enforceable against each such Borrower to the full extent of its properties and assets, to the fullest extent permitted by Applicable Law, irrespective of the validity, regularity or enforceability of this Agreement against any other Borrower or any other circumstance whatsoever.

(e) Except as otherwise expressly provided in this Agreement, each of the Borrowers, to the fullest extent permitted by Applicable Law, 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 Administrative Agent, the L/C Issuer or the Lenders under or in respect of any of the Obligations, and, generally, to the extent permitted by Applicable Law and except as to notices expressly provided for in the Loan Documents, all demands, notices and

other formalities of every kind in connection with this Agreement. Each Borrower, to the fullest extent permitted by Applicable Law, hereby waives all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshaling of assets of the Borrowers and any other entity or Person primarily or secondarily liable with respect to any of the Obligations, and all suretyship defenses generally. Each of the Borrowers, to the fullest extent permitted by Applicable Law, 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 Lenders, the Administrative Agent or the L/C Issuer 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 Lenders, the Administrative Agent or the L/C Issuer 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, to the fullest extent permitted by law, each of the Borrowers assents to any other action or delay in acting or failure to act on the part of the Lenders, the Administrative Agent or the L/C Issuer 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 Section, afford grounds for terminating, discharging or relieving any of the Borrowers, in whole or in part, from any of its Obligations under this Section, 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 Section 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 Section 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 other Borrowers, the Lenders, the Administrative Agent or the L/C Issuer. 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 other Borrowers, the Lenders, the Administrative Agent or the L/C Issuer.

(f) To the extent any Borrower makes a payment hereunder in excess of the aggregate amount of the benefit received by such Borrower in respect of the extensions of credit under the Credit Agreement (the "Benefit Amount"), then such Borrower, after the payment in full, in cash, of all of the Obligations, shall be entitled to recover from each other Borrower such excess payment, pro rata, in accordance with the ratio of the Benefit Amount received by each such other Borrower to the total Benefit Amount received by all Borrowers, and the right to such recovery shall be deemed to be an asset and property of such Borrower so funding; provided, that each of the Borrowers hereby agrees that it will not enforce any of its rights of contribution or subrogation against the other Borrowers with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to any of the Lenders or the Administrative Agent with respect to any of the Obligations or any collateral security therefor until such time as all of the Obligations have been irrevocably paid in full in cash. Any claim which any Borrower may have against any other Borrower with respect to any payments to the

Lenders or the Administrative Agent hereunder or under any other Loan Document are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Obligations arising hereunder or thereunder, to the prior payment in full of the Obligations and, in the event of any insolvency, bankruptcy, receivership, liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any Borrower, its debts or its assets, whether voluntary or involuntary, all such Obligations shall be paid in full before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Borrower therefor.

(g) Each of the Borrowers hereby agrees that it will not enforce any of its rights of contribution or subrogation against the other Borrowers with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to any of the Lenders, the L/C Issuer or the Administrative Agent with respect to any of the Obligations or any collateral security therefor until such time as all of the Obligations have been irrevocably paid in full in cash. Any claim which any Borrower may have against any other Borrower with respect to any payments to the Lenders, the L/C Issuer or either Agent hereunder or under any other Loan Document are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Obligations arising hereunder or thereunder, to the prior payment in full of the Obligations and, in the event of any insolvency, bankruptcy, receivership, liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any Borrower, its debts or its assets, whether voluntary or involuntary, all such Obligations shall be paid in full before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Borrower therefor.

(h) Each of the Borrowers hereby agrees that the payment of any amounts due with respect to the Indebtedness owing by any Borrower to any other Borrower is hereby subordinated to the prior payment in full in cash of the Obligations. Each Borrower hereby agrees that after the occurrences and during the continuance of any Default or Event of Default, such Borrower will not demand, sue for or otherwise attempt to collect any Indebtedness of any other Borrower owing to such Borrower until the Obligations shall have been paid in full in cash. If, notwithstanding the foregoing sentence, such Borrower shall collect, enforce or receive any amounts in respect of such Indebtedness before payment in full in cash of the Obligations, such amounts shall be collected, enforced, received by such Borrower as trustee for the Administrative Agent and be paid over to the Administrative Agent for the *pro rata* accounts of the relevant Lenders (in accordance with each such Lender's Commitment) to be applied to repay (or be held as security for the repayment of) the Obligations.

(i) The provisions of this Section 10.12 are made for the benefit of the Administrative Agent, the L/C Issuer and the Lenders and their successors and assigns, and may be enforced in good faith by them from time to time against any or all of the Borrowers as often as the occasion therefor may arise and without requirement on the part of the Administrative Agent, the L/C Issuer or the Lenders 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 Section 10.12 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 Administrative Agent, the L/C Issuer or the Lenders upon the insolvency, bankruptcy or reorganization of any of the Borrowers or is repaid in good faith settlement of a pending or threatened avoidance claim, or otherwise, the provisions of this Section 10.12 will forthwith be reinstated in effect, as though such payment had not been made.

(j) Each of the Borrowers hereby appoints the Parent, and the Parent hereby agrees, to act as its representative and authorized signor with respect to any notices, demands, communications or requests under this Agreement or the other Loan Documents, including, without limitation, with respect to Committed Loan Notice, Letter of Credit Application and Compliance Certificates and pursuant to Section 10.02 of this Agreement.

(k) It is the intention and agreement of the Borrowers and the Lenders that the obligations of the Borrowers under this Agreement shall be valid and enforceable against the Borrowers to the maximum extent permitted by Applicable Law. Accordingly, if any provision of this Agreement creating any obligation of the Borrowers in favor of the Lenders shall be declared to be invalid or unenforceable in any respect or to any extent, it is the stated intention and agreement of the Borrowers and the Lenders that any balance of the obligation created by such provision and all other obligations of the Borrowers to the Lenders created by other provisions of this Credit Agreement shall remain valid and enforceable. Likewise, if by final order a court of competent jurisdiction shall declare any sums which the Lenders may be otherwise entitled to collect from the Borrowers under this Credit Agreement to be in excess of those permitted under any law (including any federal or state fraudulent conveyance or like statute or rule of law) applicable to the Borrowers' obligations under this Agreement, it is the stated intention and agreement of the Borrowers and the Lenders that all sums not in excess of those permitted under such Applicable Law shall remain fully collectible by the Lenders from the Borrowers.

10.13 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.14 Replacement of Lenders. If any Lender requests compensation under Section 3.04 or is unable to lend under Section 3.02, or if the Borrowers are required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender is a Defaulting Lender, then the Borrowers may, at their sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrowers shall have paid to the Administrative Agent the assignment fee specified in Section 10.06(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and L/C Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with Applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrowers to require such assignment and delegation cease to apply.

10.15 Collateral Security.

(a) The Obligations shall be secured by (a) a perfected (except in Real Property and motor vehicles) first-priority security interest (subject to Permitted Liens entitled to priority under Applicable Law) in all assets of each Borrower, whether now owned or hereafter acquired, pursuant to the terms of the Security Agreement to which each Borrower is a party; (b) a pledge of 100% of the capital stock or other Equity Interests of such Borrowers (other than the Parent) and of the Non-Borrower Subsidiaries (other than NELS) to the Administrative Agent on behalf of the Lenders and the Agents pursuant to the Pledge Agreement; and (c) a pledge of 65% of the capital stock or other Equity Interests of each Foreign Subsidiary; provided that the Borrowers hereby agree, upon the request of the Administrative Agent and the Required Lenders, to deliver, as promptly as practicable, but in any event within sixty (60) days, titles to motor vehicles and mortgages with respect to Real Property and take such other steps as may be reasonably requested (including, without limitation, the delivery of legal opinions, Consulting Engineer's reports and title insurance) so as to provide the Administrative Agent, for the benefit of the Lenders and the Agents, a perfected first-priority security interest in such assets.

(b) The Borrowers hereby acknowledge that (i) any and all Uniform Commercial Code financing statements (together with all rights thereunder) filed in connection with the Existing Credit Agreement naming Fleet National Bank, as secured party, and such Borrower, as debtor, have been, or simultaneously herewith are being, assigned to the Administrative Agent and shall be effective to perfect the Administrative Agent's security interest granted by such Borrower pursuant to the Loan Documents to the extent that such security interest may be perfected by the filing of Uniform Commercial Code financing statements and (ii) such prior filings represent pre-filings of Uniform Commercial Code financing statements for purposes of so perfecting the security interest granted by the Borrowers under the Loan Documents. Until all of the Obligations have been finally paid and satisfied in full, the provisions of this Section shall continue to apply, and such filings shall continue to be effective and not subject to any right of

termination in respect of the security interests granted herein, whether any obligations under the Existing Credit Agreement are to be discharged with the proceeds of any of the Loans or are to continue independently or otherwise.

(c) In the event the Borrowers dispose of any assets as permitted hereunder, the Administrative Agent will, at the Borrowers' sole cost and expense, execute and deliver all such forms, releases, discharges, assignments, termination statements, and similar documents as the Borrowers may reasonably request in order to release the Liens granted to the Administrative Agent with respect to such assets.

10.16 Existing Credit Agreement Superseded.

(a) Existing Credit Agreement Superseded. On the Closing Date, this Agreement shall supersede the Existing Credit Agreement in its entirety, except as provided in this Section. On the Closing Date, the rights and obligations of the parties hereto evidenced by the Existing Credit Agreement shall be evidenced by this Agreement and the other Loan Documents, the "Loans" as defined in the Existing Credit Agreement shall be converted to Loans as defined herein and the Existing Letters of Credit issued by the Issuing Lender (as defined in the Existing Credit Agreement) for the account of the Borrowers prior to the Closing Date shall be deemed to be Letters of Credit under this Credit Agreement, and shall bear interest and be subject to such other fees as set forth in this Agreement.

(b) Interest and Fees under Superseded Agreement. All interest and fees and expenses, if any, owing or accruing under or in respect of the Existing Credit Agreement through the Closing Date (including any breakage fees in respect of Eurodollar Rate Loans as defined therein) shall be calculated as of the Closing Date (pro rated in the case of any fractional periods), and shall be paid on the Closing Date.

10.17 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS.

(b) SUBMISSION TO JURISDICTION. EACH OF THE BORROWERS IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS SITTING IN SUFFOLK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE DISTRICT OF MASSACHUSETTS, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH MASSACHUSETTS STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO

AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR THE L/C ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY OF THE BORROWERS OR THEIR PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. EACH OF THE BORROWERS IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

10.18 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.19 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrowers that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrowers, which information includes the name and

address of each of the Borrowers and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrowers in accordance with the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as a sealed instrument as of the date first above written.

[BORROWERS]

BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Name: _____
Title: _____

BANK OF AMERICA, N.A., as a Lender, L/C Issuer and Swing Line Lender

By: _____
Name: _____
Title: _____

[OTHER LENDERS]

Bank of America, N.A., as Administrative Agent

By: /s/ Carol Alm
Name: Carol Alm
Title: Assistant Vice President

BANK OF AMERICA, N.A., as a Lender,
L/C Issuer and Swing Line Lender

By: /s/ Maria F. Maia
Name: Maria F. Maia
Title: Managing Director

Citizens Bank of Massachusetts

By: /s/ Cindy Chen

Name: Cindy Chen

Title: Vice President

Sovereign Bank

By: /s/ Walter J. Marullo

Name: Walter J. Marullo

Title: Senior Vice President

CALYON NEW YORK BRANCH

By: /s/ Dianne M. Scott
Name: Dianne M. Scott
Title: Managing Director

By: /s/ F. Frank Herrera
Name: F. Frank Herrera
Title: Director

Wachovia Bank, N.A.

By: /s/ John G. Taylor

Name: John G. Taylor

Title: Vice President

JPMorgan Chase Bank, N.A.

By: /s/ William C. Dehmer

Name: William C. Dehmer

Title: Senior Vice President

LASALLE BANK NATIONAL ASSOCIATION

By: /s/ Shaun R. Klienman

Name: Shaun R. Kleinman

Title: Vice President

Banknorth, N.A.

By: /s/ E. Kirke Hart
Name: E. Kirke Hart
Title: Senior Vice President

NATIONAL CITY BANK

By: /s/ Laura J. Rowley

Name: Laura J. Rowley

Title: Vice President

Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services Inc.

By: /s/ Kelli O'Connell

Name: Kelli O'Connell

Title: Vice President

Raymond James Bank, FSB

By: /s/ Thomas F. Macina

Name: Thomas F. Macina

Title: Senior Vice President

Comerica Bank

By: /s/ Claudia Cassa
Name: Claudia Cassa
Title: Vice President

Exhibit 21.1

Subsidiaries of the Registrant

Name	Jurisdiction of Incorporation
All Cycle Waste, Inc.	Vermont
Atlantic Coast Fibers, Inc.	Delaware
B. and C. Sanitation Corporation	New York
Better Bedding Corp.	New York
Blasdell Development Group, Inc.	New York
Bristol Waste Management, Inc.	Vermont
Casella Insurance Company	Vermont
Casella Major Account Services, LLC	Vermont
Casella NH Investors Co., LLC	Delaware
Casella NH Power Co., LLC	Delaware
Casella RTG Investors Co., LLC	Delaware
Casella Transportation, Inc.	Vermont
Casella Waste Management of Cape Cod, Inc.	Massachusetts
Casella Waste Management of Holliston, Inc.	Massachusetts
Casella Waste Management of Massachusetts, Inc.	Massachusetts
Casella Waste Management of N.Y., Inc.	New York
Casella Waste Management of Pennsylvania, Inc.	Pennsylvania
Casella Waste Management, Inc.	Vermont
Casella Waste Services of Ontario, LLC	New York
Casella Waste Systems, Inc.	Delaware
Corning Community Disposal Service, Inc.	New York
CulChrome LLC	Delaware
C.V. Landfill, Inc.	Vermont
CWM All Waste LLC	New Hampshire
Data Destruction Services, Inc.	Maine
Fairfield County Recycling, Inc.	Delaware
FCR Camden, Inc.	Delaware
FCR Florida, Inc.	Delaware
FCR Georgia, Inc.	Delaware
FCR Greensboro, Inc.	Delaware
FCR Greenville, Inc.	Delaware
FCR Morris, Inc.	Delaware
FCR Redemption, Inc.	Delaware
FCR Tennessee, Inc.	Delaware
FCR, Inc.	Delaware
Forest Acquisitions, Inc.	New Hampshire
Grasslands, Inc.	New York
Green Mountain Glass, LLC	Delaware
GroundCo, LLC	New York
Hakes C & D Disposal, Inc.	New York
Hardwick Landfill, Inc.	Massachusetts
Hiram Hollow Regeneration Corp.	New York
K-C International, Ltd.	Oregon
KTI Bio Fuels, Inc.	Maine

KTI Environmental Group, Inc.	New Jersey
KTI New Jersey Fibers, Inc.	Delaware
KTI Operations, Inc.	Delaware
KTI Recycling of New England, Inc.	Maine
KTI Specialty Waste Services, Inc.	Maine
KTI, Inc.	New Jersey
Maine Energy Recovery Company LP	Maine
Manner Resins, Inc.	Delaware
Mecklenburg County Recycling, Inc.	Connecticut
Natural Environmental, Inc.	New York
New England Landfill Solutions, LLC.	Massachusetts
New England Waste Service of ME, Inc.	Maine
New England Waste Services of Massachusetts, Inc.	Massachusetts
New England Waste Services of N.Y., Inc.	New York
New England Waste Services of Vermont, Inc.	Vermont
New England Waste Services, Inc.	Vermont
Newbury Waste Management, Inc.	Vermont
NEWS of Worcester LLC	Massachusetts
NEWSME Landfill Operations, LLC	Maine
NH Investors Co. LLC	Delaware
North Country Composting Services, Inc.	New Hampshire
North Country Environmental Services, Inc.	Virginia
North Country Trucking, Inc.	New York
Northern Properties Corporation of Plattsburgh	New York
Northern Sanitation, Inc.	New York
PERC Management Company, LP	Maine
PERC, Inc.	Delaware
Pine Tree Waste, Inc.	Maine
Portland C & D Site, Inc.	New York
R.A. Bronson, Inc.	New York
Recovery Technologies Operations, LLC.	Illinois
Resource Recovery Systems of Sarasota, Inc.	Florida
Resource Recovery Systems, Inc.	Delaware
Resource Transfer Services, Inc.	Massachusetts
Resource Waste Systems, Inc.	Massachusetts
Rochester Environmental Park, LLC	Massachusetts
Rockingham Sand & Gravel, LLC	Vermont
Schultz Landfill, Inc.	New York
Southbridge Recycling & Disposal Park, Inc.	Massachusetts
Sunderland Waste Management, Inc.	Vermont
Templeton Landfill, LLC	Massachusetts
The Hyland Facility Associates	New York
Total Waste Management Corp.	New Hampshire
Trilogy Glass, LLC	New York
U.S. Fiber, Inc.	North Carolina
Waste-Stream, Inc.	New York
Westfield Disposal Service, Inc.	New York
Winters Brothers, Inc.	Vermont

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-31022, 333-40267, 333-43537, 333-43539, 333-43541, 333-43543, 333-43635, 333-67487, 333-92735 and 333-100553), and on Form S-3 (Nos. 333-21088, 333-31268, 333-85279, 333-88097 and 333-95841) of Casella Waste Systems, Inc. of our reports dated June 24, 2005 relating to the financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appear in this Form 10-K.

PricewaterhouseCoopers LLP
Boston, Massachusetts
June 27, 2005

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-31022, 333-40267, 333-43537, 333-43539, 333-43541, 333-43543, 333-43635, 333-67487, 333-92735 and 333-100553), and on Form S-3 (Nos. 333-21088, 333-31268, 333-85279, 333-88097 and 333-95841) of Casella Waste Systems, Inc. of our report dated January 26, 2005, on the financial statements of US GreenFiber, LLC, which appear in this Form 10-K.

PricewaterhouseCoopers LLP
Charlotte, North Carolina
June 27, 2005

Exhibit 31.1

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, John. W. Casella, certify that:

1. I have reviewed this Annual Report on Form 10-K of Casella Waste Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 28, 2005

/s/ John W. Casella

John W. Casella
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Richard A. Norris, certify that:

1. I have reviewed this Annual Report on Form 10-K of Casella Waste Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 28, 2005

/s/ Richard A. Norris

Richard A. Norris
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

STATEMENT PURSUANT TO 18 U.S.C. §1350

Pursuant to 18 U.S.C. §1350, each of the undersigned certifies that this Annual Report on Form 10-K for the year ended April 30, 2005 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Casella Waste Systems, Inc.

Dated: June 28, 2005

/s/ John W. Casella
John W. Casella
Chief Executive Officer
and Director

Dated: June 28, 2005

/s/ Richard A. Norris
Richard A. Norris
Senior Vice President, Chief Financial
Officer

Exhibit 99.1

US GreenFiber, LLC
Financial Statements
December 31, 2004, 2003 and 2002

US GreenFiber, LLC
Index
December 31, 2004, 2003 and 2002

Report of Independent Auditors

To the Board of Managers
US GreenFiber, LLC

In our opinion, the accompanying balance sheets and the related statements of operations and members' equity and of cash flows present fairly, in all material respects, the financial position of US GreenFiber, LLC (the "Company") at December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

January 26, 2005

US GreenFiber, LLC
Balance Sheets
December 31, 2004 and 2003

	2004	2003
Assets		
Current assets		
Cash and cash equivalents	$ 3,287,499	$ 3,655,456
Accounts receivable, less allowance for doubtful accounts of approximately $183,000 in 2004 and $250,000 in 2003	20,867,384	18,123,774
Futures contract (Note 4)	5,500,000	3,608,000
Other assets	1,797,405	1,356,208
Inventory	4,870,091	4,154,170
Total current assets	36,322,379	30,897,607
Property, plant and equipment, net	31,582,749	29,615,095
Intangible assets, net	2,245,768	2,264,499
Total assets	$ 70,150,896	$ 62,777,201
Liabilities and Members' Equity		
Current liabilities		
Accounts payable	$ 9,075,168	$ 6,937,249
Accrued liabilities	6,622,263	4,574,284
Current portion of capital lease obligation	196,515	113,963
Total current liabilities	15,893,946	11,625,496
Capital lease obligation	169,696	139,787
Other long-term liabilities	453,557	—
Total liabilities	16,517,199	11,765,283
Commitments (Note 6)		
Members' equity	53,633,697	51,011,919
Total liabilities and members' equity	$ 70,150,896	$ 62,777,201

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

US GreenFiber, LLC
Statements of Operations and Members' Equity
Years Ended December 31, 2004, 2003 and 2002

	2004	2003	2002
Sales	$ 123,529,053	$ 102,503,918	$ 96,787,114
Cost of sales	97,309,465	79,941,482	74,761,297
Gross profit	26,219,588	22,562,436	22,025,817
Selling, general and administrative expenses	21,451,360	19,007,376	15,387,981
Income from operations	4,768,228	3,555,060	6,637,835
Other income (expense)	(38,450)	7,059	52,064
Net income	4,729,778	3,562,119	6,689,900
Other comprehensive income (Note 4)	1,892,000	1,608,000	2,470,000
Comprehensive income	6,621,778	5,170,119	9,159,900
Members' equity, beginning of year	51,011,919	49,841,800	41,681,900
Capital distribution to members	(4,000,000)	(4,000,000)	(1,000,000)
Members' equity, end of year	$ 53,633,697	$ 51,011,919	$ 49,841,800

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

US GreenFiber, LLC
Statements of Cash Flows
Years Ended December 31, 2004, 2003 and 2002

	2004	2003	2002
Cash flows from operating activities			
Net income	$ 4,729,778	$ 3,562,119	$ 6,689,900
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	5,342,072	4,827,595	4,319,575
Amortization	109,482	109,482	98,803
Gain on disposal of assets	(62,092)	(15,408)	(60,706)
Provision for accounts receivable	66,961	94,235	55,677
Changes in operating assets and liabilities			
Accounts receivable	(2,810,571)	(4,873,487)	(2,518,566)
Inventories	(715,921)	(517,232)	69,656
Accounts payable	1,710,800	759,486	261,653
Accrued expenses	2,047,979	1,033,015	(474,657)
Restructuring accrual	—	—	(644,619)
Other assets	(441,197)	9,324	339,505
Other liabilities	453,557	(600,000)	545,184
Net cash provided by operating activities	10,430,848	4,389,129	8,681,405
Cash flows from investing activities			
Purchases of property, plant and equipment	(7,061,183)	(4,563,912)	(4,959,964)
Purchases of intangible assets	(90,750)	(34,364)	(79,736)
Proceeds from sale of property and equipment	509,773	415,713	370,376
Net cash used in investing activities	(6,642,160)	(4,182,563)	(4,669,324)
Cash flows from financing activities			
Distribution to members	(4,000,000)	(4,000,000)	(1,000,000)
Payments on capital lease obligation	(156,645)	(59,218)	—
Payments on long-term debt	—	—	(2,071,103)
Net cash used in financing activities	(4,156,645)	(4,059,218)	(3,071,103)
Net decrease (increase) in cash and cash equivalents	(367,957)	(3,852,652)	940,978
Cash and cash equivalents			
Beginning of year	3,655,456	7,508,108	6,567,130
End of year	$ 3,287,499	$ 3,655,456	$ 7,508,108
Supplemental disclosure of cash flow information			
Cash paid during the year for interest	$ 28,580	$ 15,700	$ 59,600
Supplemental schedule of noncash transactions			
Gain in fair market value of cash flow hedge derivatives	1,892,000	1,608,000	2,470,000
Purchase of equipment under capital leases	269,106	312,968	—
Assets acquired through accounts payable	427,119	523,027	—

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

1. Summary of Significant Accounting Policies and Description of the Business

Description of the Business

US GreenFiber, LLC (the "Company") was incorporated in July 2000 under the state laws of Delaware. The Company is an equally-owned joint venture formed by Louisiana-Pacific ("LP") and Casella Waste Systems, Inc. ("Casella") whereby each contributed certain cellulose manufacturing operations to the joint venture.

The Company, based in Charlotte, North Carolina, manufactures and supplies cellulose insulation nation-wide to contractors, manufactured home builders and retailers. The Company has manufacturing facilities located in Atlanta, Georgia; Charlotte, North Carolina; Delphos, Ohio; Denver, Colorado; Elkwood, Virginia; Norfolk, Nebraska; Phoenix, Arizona; Sacramento, California; Tampa, Florida and Waco, Texas.

Under the terms of the joint venture agreement (the "Agreement"), net profits and losses are to be allocated first to each member based on their respective Adjusted Capital Account and secondly, in accordance with their Percentage Interests, as defined in the Agreement.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories consist primarily of raw material (recycled newspaper) and finished goods (cellulose insulation) and are valued at the lower of average cost or market.

As of December 31, 2004, the Company had entered into seventeen raw material contracts with various suppliers in order to mitigate supply risk on recycled newspaper. These contracts, with various expiration dates through January 2009, require the Company to purchase approximately 11,000 short tons of raw material per month at various prices which approximates market prices as defined within the contracts. Of the seventeen, five are with an affiliated company for the purchase of 4,550 short tons per month.

The Company uses commodity futures contracts to manage price exposures on anticipated purchases of raw material (Note 4).

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Expenditures for maintenance, repairs and minor renewals are expensed as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of assets as follows:

Asset Classification	Estimated Useful Lives
Buildings and improvements	20–34 years
Furniture and fixtures	3–10 years
Machinery and equipment	1–13 years
Trucks and trailers	4–8 years

When assets are sold or retired, the related cost and accumulated depreciation and amortization are removed from the respective accounts and any resulting gain or loss is included in the determination of income.

The Company reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets.

Intangible Assets

Intangible assets subject to amortization total approximately $1,013,000 and $1,032,000 at December 31, 2004 and 2003, respectively, and consist principally of patents and a noncompete agreement. Patents and non-compete agreement are amortized on a straight-line method over useful lives of 15 and 5 years, respectively. Amortization of intangible assets charged to operations amounted to approximately $109,000 for 2004 and 2003 and $99,000 for 2002. The Company evaluates the recoverability of intangible assets when events or circumstances indicate a possible inability to recover carrying amounts. Such evaluation is based on various analyses, including cash flows and profitability projections. These analyses necessarily involve management judgment.

Goodwill

Goodwill consists of the excess of purchase price over the fair value of the tangible and intangible assets acquired in a purchase business combination in 2002. Goodwill is included in intangible assets and totaled approximately $1,233,000 at December 31, 2004 and 2003. The Company evaluates the recoverability of goodwill on an annual basis, or when events or circumstances indicate a possible inability to recover carrying amounts. Such evaluation is based on the estimated fair value of goodwill using various analyses, such as discounted cash flows and peer industry data. These analyses necessarily involve management judgment.

Income Taxes

The Company is a limited liability company. Accordingly, the accompanying financial statements do not include any provision for federal or state income taxes. All income, losses, tax credits and deductions are allocated to the Company's members and reported on the income tax returns of each member.

Concentration of Credit Risk

The Company maintains its cash in bank accounts that at times exceed federally insured limits. Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and trade receivables. The Company's accounts receivable are derived from revenue earned from customers located in the United States. The Company performs ongoing credit evaluations of its customers and maintains an allowance for doubtful accounts receivable based upon the expected collectability of accounts receivable.

For the years ended December 31, 2004, 2003 and 2002 approximately 51%, 42% and 37% of sales were to six customers. As of December 31, 2004, 2003 and 2002, 45%, 37% and 33% of accounts receivable were from these six customers, respectively.

Revenue Recognition

Revenue is recognized at the time goods are shipped and title has transferred to the customer.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain 2003 and 2002 information has been reclassified to conform with the 2004 presentation.

2. Inventories

Inventories consist of the following at December 31:

	2004	2003
Parts	$ 84,957	$ 170,616
Raw material	3,603,581	2,699,931
Finished goods	1,181,553	1,283,623
	$ 4,870,091	$ 4,154,170

3. Property, Plant and Equipment

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

	2004	2003
Land	$ 174,608	$ 174,608
Construction in progress	861,180	2,228,371
Buildings and improvements	3,908,778	3,399,476
Furniture and fixtures	2,049,102	1,710,356
Machinery and equipment	39,989,346	33,190,097
Trucks and trailers	10,461,210	9,799,209
	57,444,224	50,502,117
Less: Accumulated depreciation	(25,861,475)	(20,887,022)
	$ 31,582,749	$ 29,615,095

4. Derivative Instruments

Commodity Instruments

The Company actively monitors its exposure to commodity prices and uses derivative instruments to manage the impact of certain of these risks. The Company uses derivatives only for purposes of managing risk associated with underlying exposures. The Company does not trade or use instruments with the objective of earning financial gains on the commodity price nor does it use instruments where there are not underlying exposures. The Company's use of derivative financial instruments may result in short-term gains or losses and increased earnings volatility. Complex instruments involving leverage or multipliers are not used. Management believes that its use of derivative instruments to manage risk is in the Company's best interest.

At the date new derivatives are entered into, the Company designates the derivative as either (1) a hedge of a recognized asset or liability or an unrecognized firm commitment (fair value hedge), or (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid in the future related to a recognized asset or liability (cash flow hedge). Existing commodity instruments of the Company have been designated as cash flow hedges as of December 31, 2004, 2003 and 2002. For cash flow hedges, the effective portion of the changes in the fair value of the derivative that is designated as a cash flow hedge is recorded in other comprehensive income. When the hedged item is realized, the gain or loss included in accumulated other comprehensive income is reported on the same line in the statements of income as the hedged item. In addition, the ineffective portion of the changes in the fair value of derivatives used as cash flow hedges are immediately recognized in cost of goods sold.

The Company formally documents its hedge relationships, including identifying the hedging instruments and hedged items, as well as the Company's risk management objectives and strategies for entering into the hedge relationship. This process includes matching the hedging instrument to the underlying hedged item (assets, liabilities, firm commitments or forecasted transactions). At hedge inception and at least quarterly thereafter, the Company assesses whether the derivatives used as hedges are highly effective in offsetting changes in either the fair value or cash flows of the hedged item. If it is determined that a derivative ceases to be a highly effective hedge, the Company discontinues hedge accounting, and any gains or losses on the derivative instrument would be recognized in earnings during the period it no longer qualifies as a hedge.

The Company uses commodity swap contracts to manage price exposures on anticipated purchases of raw material. Of the 346,000 tons, 303,000 tons and 288,000 tons of raw materials purchased during 2004, 2003 and 2002, approximately 169,000 tons, 180,000 tons and 131,000 tons were hedged with swap contracts. The Company's strategy is to hedge certain production requirements for various periods up to 60 months. As of December 31, 2004, 2003 and 2002, approximately 149,000 tons, 167,000 tons and 171,000 tons or 39%, 56% and 56%, respectively, of production requirements for the next 12 months were hedged.

As of December 31, 2004 and 2003, the fair value of outstanding commodity contracts, based on quotes from brokers, reflected on the balance sheets were approximately $5.5 million and $3.6 million, respectively. Gains of approximately $1,892,000, $1,608,000 and $2,470,000, respectively, are included in the financial statements as other comprehensive income in the statements of operations and members' equity for the years ended December 31, 2004, 2003 and 2002.

Foreign Currency Instruments

In December 2004, the Company entered into forward contracts to manage price exposures associated with future capital expenditures commitments denominated in Euros. These foreign currency contracts have not been designated by the Company as accounting hedges and are therefore marked-to-market through current period earnings (treated as economic hedges). As of December 31, 2004, approximately 75% of the total capital commitment of $4.6 million was economically hedged. The total impact on current period earnings associated with changes in value of these forward contracts was immaterial.

5. Financing

The Company has an unsecured revolving credit facility for borrowings of up to $10 million that matures on June 30, 2006. Interest on the facility accrues at LIBOR plus 1.25%. There was $2,137,000 and $2,200,000 in letters of credit outstanding under this facility as of December 31, 2004 and 2003.

6. Commitments and Contingencies

The Company leases property and equipment under noncancelable capital and operating lease agreements with various expiration dates through June 30, 2009.

The following is a schedule, by year, of the future minimum payments under capital and operating leases, together with the present value of the net minimum payments as of December 31, 2004:

	Capital Leases	Operating Leases
Year ending December 31		
2005	$ 196,515	$ 2,545,144
2006	128,937	2,371,410
2007	41,995	1,815,896
2008	5,073	1,113,105
2009	4,651	547,429
Thereafter	—	160,333
Total minimum payments	377,171	$ 8,553,317
Less: Amount representing interest	(10,960)	
Present value of net minimum lease payments	366,211	
Less: Current portion of capital lease obligation	196,515	
Capital lease obligation	$ 169,696	

Rent expense for property, plant and equipment for the years ended December 31, 2004, 2003 and 2002 was approximately $3,328,000, $3,169,000 and $3,104,000, respectively.

Each year claims and lawsuits may arise out of the normal conduct of its business. Although the ultimate outcome of these legal proceedings cannot be predicted with certainty, management of the Company believes that the resulting liability, if any, will not have a material impact on the Company's financial statements.

7. Benefit Plans

The Company's overall compensation and benefits program includes four nonqualified incentive bonus/employee profit sharing plans. Benefits payable under these plans are calculated based on the Company's performance against budgeted earnings before interest, taxes, depreciation and amortization ("EBITDA") and are allocated based on the Company's financial performance (65%) and each participant's individual performance (35%). Liabilities associated with these plans totaled approximately $1,554,000 and $850,000 at December 31, 2004 and 2003, respectively, and are in included in accrued expenses.

The Company has established a long-term incentive plan ("LIP") for certain directors and senior management designed to compensate these individuals for the creation of long-term business value. The plan provides an LIP pool based on a defined formula designed to equate to 5% of the equity created at the end of the three-year vesting period. The Company had accrued approximately $454,000 at December 31, 2004 and $0 accrued at December 31, 2003 for the LIP, which is included in other long-term liabilities.

Additionally, the Company sponsors a 401(k) defined contribution plan covering substantially all employees. Each year, participants may contribute amounts up to 15% of pretax compensation. Total contributions to the plan were approximately $333,000, $289,000 and $170,000 during 2004, 2003 and 2002, respectively.

Effective January 1, 2003, the Plan adopted the provisions of a Safe Harbor Plan. To satisfy the requirements of a Safe Harbor Plan, the employer match is no longer discretionary and is required to be 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions.

8. Related Party Transactions

During 2004, the Company, in the normal course of business, incurred various charges from LP and Casella. These expenses, primarily for rent, shared customer rebate incentive programs, and shared personnel, for the years ended December 31, 2004, 2003 and 2002 totaled approximately $312,000, $443,000 and $518,000, respectively.

Additionally, the Company purchased raw materials (recycled newspaper) from an affiliated company during 2004, 2003 and 2002 of approximately $3,311,000, $2,866,000 and $3,214,000, respectively.

The Company had accounts payable to LP of $120,000 at December 31, 2004 and no amounts payable at December 31, 2003.