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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549  
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AMENDMENT NO. 1 TO

FORM S-1  
REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933  
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CASELLA WASTE SYSTEMS, INC.  
(Exact name of registrant as specified in its charter)  
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Delaware	4953	03-0338873
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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25 Greens Hill Lane  
Rutland, Vermont 05701  
(802) 775-0325  
(Address and telephone number of registrant's principal executive offices)  
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JOHN W. CASELLA  
President, Chief Executive Officer and Chairman  
CASELLA WASTE SYSTEMS, INC.  
25 Greens Hill Lane  
Rutland, Vermont 05701  
(802) 775-0325  
(Name, address and telephone number of agent for service)  
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date hereof.

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

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

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

same offering. [ ]-----

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered	Proposed Maximum Offering Price per Share (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (1)
Class A Common Stock, \$0.01 par value	shares	\$	\$84,525,000	\$25,614

(1) Estimated solely for purposes of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Previously paid by Registrant.

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

SUBJECT TO COMPLETION, DATED SEPTEMBER 24, 1997

[LOGO]

Shares

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

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

Each share of Class A Common Stock entitles its holder to one vote, whereas each share of Class B Common Stock entitles its holder to ten votes. All of the shares of Class B Common Stock are held by John W. Casella, the President, Chief Executive Officer and Chairman of the Board and Douglas R. Casella, the Vice Chairman of the Board and trusts for the benefit of their minor children. After consummation of the Offering, such stockholders will beneficially own in the aggregate shares of Class B Common Stock and Class A Common Stock having approximately \_\_\_\_\_ % of the outstanding voting power of the Company's Common Stock.

Prior to this Offering, there has been no public market for the Class A Common Stock of the Company. It is currently estimated that the initial public offering price per share will be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_. For factors to be

considered in determining the initial public offering price, see "Underwriting".

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

Application has been made to have the Class A Common Stock approved for quotation on the Nasdaq National Market under the symbol "CWST".

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

	Initial Public Offering Price	Underwriting Discount (1)	Proceeds to Company(2)	Proceeds to Selling Stockholders
Per Share .....	\$	\$	\$	\$
Total (3) .....	\$	\$	\$	\$

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- (1) The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.
  - (2) Before deducting estimated expenses of \$1,000,000 payable by the Company.
  - (3) The Selling Stockholders have granted the Underwriters an option for 30 days to purchase up to an additional 525,000 shares of Class A Common Stock at the initial public offering price per share, less the underwriting discount, solely to cover over-allotments. If such option is exercised in full, the total initial public offering price, underwriting discount, proceeds to Company and proceeds to Selling Stockholders will be \$ , \$ , \$ and \$ , respectively. See "Underwriting".

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The shares offered hereby are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that certificates for the shares will be ready for delivery in New York, New York on or about , 1997, against payment therefor in immediately available funds.

Goldman, Sachs & Co.

Donaldson, Lufkin & Jenrette  
Securities Corporation

Oppenheimer & Co., Inc.

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The date of this Prospectus is , 1997.

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

[Inside Front Cover]

On the inside front cover of the Prospectus is a photograph of a waste collection vehicle bearing the "Casella" logo with a reflection of a white colonial-style house on the door of the cabin to the vehicle.

["Gatefold" Fold-out to appear inside the Inside Front Cover]

On the "gatefold" fold-out to appear inside the inside front cover of the Prospectus, under the caption "Integrated Waste Management Services Region," is a map of the Company's operations, by county, in the states of Vermont, New Hampshire, Maine, New York and Pennsylvania. The areas covered by the Company's operations are shaded, with the shaded areas each colored differently to distinguish between the Central, Western and Eastern regions of the Company's five-state operations. Symbols are spread throughout the shaded areas to indicate the locations of the Company's recycling centers, transfer stations, collection divisions, disposal facilities, waste tire processing facility and corporate headquarters. Situated around the map are four photographs depicting collection, disposal, recycling and transfer station facilities or operations, and under each photograph is a list of each respective facility, by location.

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

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

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

#### PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and the Consolidated Financial Statements, including the Notes thereto, appearing elsewhere in this Prospectus. Except as otherwise noted herein, all information in this Prospectus: (i) gives effect to the automatic redemption upon the closing of this Offering of all outstanding shares of Series A Preferred Stock and Series B Preferred Stock; (ii) gives effect to the exercise upon the closing of this Offering of warrants to purchase 1,811,199 shares of Class A Common Stock with the redemption proceeds of the Series A Preferred Stock and Series B Preferred Stock; (iii) gives effect to the automatic conversion upon the closing of this Offering of all outstanding shares of Series D Convertible Preferred Stock into 1,922,169 shares of Class A Common Stock; (iv) assumes the issuance of \_\_\_\_\_ shares of Class A Common Stock (assuming an initial public offering price of \$ \_\_\_\_\_ per share) issuable to a director of the Company at or after the closing of this Offering as additional purchase price related to the acquisition by the Company of the business of which such director was the sole stockholder; (v) reflects the filing upon the closing of this Offering of an Amended and Restated Certificate of Incorporation of the Company; and (vi) assumes no exercise of the Underwriters' over-allotment option. For purposes hereof, references to "Common Stock" mean the Class A Common Stock and the Class B Common Stock. See "Description of Capital Stock", "Underwriting" and Notes to Consolidated Financial Statements. The Company's fiscal year ends on April 30. References to a particular fiscal year are to the fiscal year ending on April 30 of that year (e.g., the 1997 fiscal year ended on April 30, 1997). Unless otherwise specified herein, all references to the "Company" or "Casella" mean Casella Waste Systems, Inc. and its subsidiaries, and all references to "solid waste" mean non-hazardous solid waste.

#### The Company

Casella Waste Systems, Inc. is a regional, integrated, non-hazardous solid waste services company that provides collection, transfer, disposal and recycling services in Vermont, New Hampshire, Maine, upstate New York and northern Pennsylvania. As of July 31, 1997, the Company owned and/or operated four Subtitle D landfills, 31 transfer stations, eight recycling processing

facilities, and 22 collection operations which together served over 68,000 commercial, industrial and residential customers. The Company was founded in 1975 as a single-truck operation in Rutland, Vermont and subsequently expanded its operations throughout the state of Vermont. In 1993, the Company initiated an acquisition strategy to take advantage of anticipated reductions in available landfill capacity in Vermont and surrounding states due to increasing environmental regulation and other market forces driving consolidation in the solid waste industry. From May 1, 1994 through April 30, 1997, the Company acquired ownership of or long-term operating rights to 44 solid waste businesses, including four landfills, and, between May 1, 1997 and September 12, 1997, the Company acquired an additional nine such businesses. The Company believes that additional acquisition opportunities exist in the markets it serves and in other prospective markets.

The Company's operating strategy is based on the integration of its collection and disposal operations and the internalization of waste collected. The Company believes that control of a substantial portion of the waste stream and economies of scale provide it with advantages over non-integrated competitors in its markets. During fiscal 1997, approximately 65% of the solid waste collected by the Company was delivered for disposal at its landfills. Additionally, approximately 53% of the solid waste disposed of at its landfills was collected by the Company.

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

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

### Risk Factors

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

### The Offering

Class A Common Stock offered by the Company .....	shares
Class A Common Stock offered by Selling Stockholders .	shares
Common Stock to be outstanding after this Offering (1):	
Class A Common Stock .....	shares
Class B Common Stock .....	1,000,000 shares
Total .....	shares
Proposed Nasdaq National Market symbol .....	CWST
Use of Proceeds .....	Reduction of existing indebtedness and redemption of Series C Preferred Stock, acquisitions and other general corporate purposes. The Company will not receive any proceeds from the sale of shares of Class A

Common Stock by the Selling Stockholders.  
See "Use of Proceeds".

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

(1) Based on the number of shares of Class A Common Stock and Class B Common Stock outstanding on July 31, 1997, plus 91,202 shares of Class A Common Stock issued or issuable upon exercise of warrants exercised or to be exercised between July 31, 1997 and the closing of this Offering. Each share of Class B Common Stock is convertible into one share of Class A Common Stock at the option of the holder and may not be transferred to anyone other than a Class B Permitted Holder (as defined). See "Description of Capital Stock". Excludes: (i) 1,377,635 shares of Class A Common Stock issuable upon exercise of stock options outstanding on July 31, 1997 with a weighted average exercise price of \$6.21 per share; (ii) an additional 1,658,500 shares reserved for issuance under the Company's 1997 Stock Incentive Plan, 1997 Employee Stock Purchase Plan and 1997 Non-Employee Director Stock Option Plan (collectively, the "Stock Plans"); and (iii) warrants to purchase 289,906 shares of Class A Common Stock at a weighted average exercise price of \$5.11 per share. See "Management--Benefit Plans", "Description of Capital Stock" and Note 7 of Notes to Consolidated Financial Statements.

Summary Historical and Pro Forma Consolidated Financial and Operating Data

	Fiscal Year Ended April 30,					Pro Forma as adjusted(1) (2) 1997
	1993	1994	1995	1996	1997	
(in thousands, except per share data)						
Statement of Operations Data:						
Revenues .....	\$11,375	\$ 13,491	\$ 20,873	\$ 38,109	\$ 73,176	\$
Cost of operations .....	7,222	9,640	11,615	21,654	43,504	
General and administrative .....	2,276	2,702	2,456	6,302	11,340	
Depreciation and amortization .....	1,352	1,483	4,511	7,643	13,053	
Operating income (loss) .....	525	(334)	2,291	2,510	5,279	
Interest expense, net .....	354	613	1,713	2,392	3,908	
Other (income) expense, net .....	(142)	207	56	(78)	931	
Income (loss) before provision (benefit) for income taxes, extraordinary items and cumulative effect of change in accounting principle .....	313	(1,154)	522	196	440	
Provision (benefit) for income taxes .....	155	(441)	220	144	452	
Extraordinary items .....	--	--	--	326	--	--
Change in accounting principle .....	--	124	--	--	--	--

Net income (loss)	\$ 158	\$ (837)	\$ 302	\$ (274)	\$ (12)	\$
Accretion of Series C Preferred Stock	--	--	--	(65)	(204)	--
Net Income (loss) applicable to common stockholders	\$ 158	\$ (837)	\$ 302	\$ (339)	\$ (216)	\$
Net income per share						\$
Weighted average number of shares(3)						
Other Operating Data:						
EBITDA (4)	\$1,877	\$ 1,149	\$ 6,802	\$ 10,153	\$ 18,332	\$
Capital expenditures	\$ 597	\$ 843	\$ 3,415	\$ 10,081	\$ 14,926	
Cash flows from operating activities	\$1,632	\$ 1,559	\$ 4,511	\$ 8,224	\$ 14,726	
Cash flows from investing activities	\$ (903)	\$ (2,270)	\$ (8,841)	\$ (27,485)	\$ (50,314)	
Cash flows from financing activities	\$ (672)	\$ 1,007	\$ 4,617	\$ 19,022	\$ 36,528	

Three Months Ended July 31,

	1996	1997	Pro Forma as adjusted(1) (2) 1997
Statement of Operations Data:			
Revenues	\$ 15,217	\$ 26,429	\$
Cost of operations	8,717	15,662	
General and administrative	2,302	3,680	
Depreciation and amortization	3,007	3,851	
Operating income (loss)	1,191	3,236	
Interest expense, net	678	1,634	
Other (income) expense, net	(21)	(15)	
Income (loss) before provision (benefit) for income taxes, extraordinary items and cumulative effect of change in accounting principle	534	1,617	
Provision (benefit) for income taxes	508	727	
Extraordinary items	--	--	--
Change in accounting principle	--	--	--
Net income (loss)	\$ 26	\$ 890	\$
Accretion of Series C Preferred Stock	(52)	(51)	--
Net Income (loss) applicable to common stockholders	\$ (26)	\$ 839	\$
Net income per share			\$
Weighted average number of shares(3)			
Other Operating Data:			
EBITDA (4)	\$ 4,198	\$ 7,087	\$
Capital expenditures	\$ 2,806	\$ 4,579	
Cash flows from operating activities	\$ 2,970	\$ 3,079	
Cash flows from investing activities	\$ (8,026)	\$ (9,465)	
Cash flows from financing activities	\$ 4,925	\$ 6,927	

July 31, 1997

	Pro Forma(1)	Pro Forma as Adjusted(1) (5)
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Balance Sheet Data:

Cash and cash equivalents .....	\$ 1,955	\$
Working capital (deficit) .....	(572)	
Total assets .....	142,568	
Long-term obligations, net of current maturities .....	81,613	
Total stockholders' equity (deficit) .....	28,747	

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- (1) Pro forma to give effect to the automatic redemption upon the closing of this Offering of the Series A Preferred Stock and Series B Preferred Stock with the redemption price applied to the exercise of warrants to purchase 1,811,199 shares of Class A Common Stock and the automatic conversion upon the closing of this Offering of outstanding shares of Series D Convertible Preferred Stock into 1,922,169 shares of Class A Common Stock.
- (2) Adjusted to give effect to: (i) the acquisitions completed during fiscal 1997; (ii) the acquisition of substantially all of the assets of H.C. Gobin, Inc.; and (iii) the application of the estimated net proceeds from the Offering, at an assumed initial public offering price of \$ per share, after deducting the estimated underwriting discount and offering expenses payable by the Company, as if each had occurred on May 1, 1996. See "Use of Proceeds" and "Unaudited Pro Forma Consolidated Statement of Operations".
- (3) Computed on the basis described in Note 2 of Notes to Consolidated Financial Statements.
- (4) EBITDA is defined as operating income plus depreciation and amortization. EBITDA does not represent, and should not be considered as, an alternative to net income or cash flows from operating activities, each as determined in accordance with generally accepted accounting principles ("GAAP"). Moreover, EBITDA does not necessarily indicate whether cash flow will be sufficient for such items as working capital or capital expenditures, or to react to changes in the Company's industry or to the economy generally. The Company believes that EBITDA is a measure commonly used by lenders and certain investors to evaluate a company's performance in the solid waste industry. The Company also believes that EBITDA data may help to understand the Company's performance because such data may reflect the Company's ability to generate cash flows, which is an indicator of its ability to satisfy its debt service, capital expenditure and working capital requirements. Because EBITDA is not calculated by all companies and analysts in the same fashion, the EBITDA measures presented by the Company may not be comparable to similarly-titled measures reported by other companies. Therefore, in evaluating EBITDA data, investors should consider, among other factors: the non-GAAP nature of EBITDA data; actual cash flows; the actual availability of funds for debt service, capital expenditures and working capital; and the comparability of the Company's EBITDA data to similarly-titled measures reported by other companies. For more information about the Company's cash flows, see page F-8.
- (5) Adjusted to give effect to (i) the sale of the Class A Common Stock offered by the Company pursuant to this Offering at an assumed initial public offering price of \$ per share, after deducting the estimated underwriting discount and offering expenses payable by the Company and the application of the estimated net proceeds therefrom; (ii) the exercise of warrants to purchase 91,202 shares of Class A Common Stock at a weighted average exercise price of \$5.37 per share and the application of the estimated net proceeds therefrom, which exercise occurred or will occur between July 31, 1997 and the closing of this Offering; and (iii) the call by the Company of warrants to purchase 75,000 shares at a call price of \$7.00 per share. See "Use of Proceeds" and "Capitalization".

## RISK FACTORS

In addition to the other information in this Prospectus, the following risk factors should be considered carefully in evaluating the Company and its business before purchasing the shares of Class A Common Stock offered by this Prospectus. This Prospectus contains certain forward-looking statements that involve risks and uncertainties. The cautionary statements contained in this Prospectus should be read as being applicable to all related forward-looking statements wherever they appear in this Prospectus. The Company's actual results could differ materially from those discussed here. Important factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this Prospectus.

## Ability to Manage Growth

The Company's objective is to continue to grow by expanding its services in markets where it can be one of the largest and most profitable fully-integrated solid waste services companies. Consequently, the Company may experience periods of rapid growth. Such growth, if it were to occur, could place a significant strain on the Company's management and on its operational, financial and other resources. Any failure to expand its operational and financial systems and controls or to recruit appropriate personnel in an efficient manner at a pace consistent with such growth would have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Strategy".

## History of Losses

The Company has incurred net losses in three of the past four years. The net loss was \$11,786 in fiscal 1997 (including non-recurring expenses of approximately \$650,000 incurred in connection with the settlement of certain litigation naming the Company), and \$273,867 in fiscal 1996 (including the write-off of unamortized issuance costs of \$326,308 (net of \$168,098 income tax benefit) associated with certain subordinated debt). As of April 30, 1997, the Company's accumulated deficit was \$11.1 million. Although the Company was profitable in the quarter ended July 31, 1997, there can be no assurance that the Company will be profitable in the future.

## Ability to Identify, Acquire and Integrate Acquisition Targets

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

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

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

The successful integration of acquired businesses is important to the Company's future financial performance. The anticipated benefits from any acquisition may not be achieved unless the operations of the acquired businesses are successfully combined with those of the Company in a timely manner. The

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integration of any of the Company's acquisitions requires substantial attention from management. The diversion of the attention of management, and any difficulties encountered in the transition process, could have an adverse impact on the Company's business, financial condition and results of operations. Although the Company has successfully identified and closed acquisitions and integrated them into its organization and operations in the past, there can be no assurance that it will be able to do so in the future.

#### Dependence on Management

The Company is highly dependent upon the services of the members of its senior management team, the loss of any of whom may have a material adverse effect on the Company's business, financial condition and results of operations. The Company currently maintains "key man" life insurance with respect to John W. Casella, the President, Chief Executive Officer and Chairman, and James W. Bohlig, the Senior Vice President and Chief Operating Officer, in the amount of \$1.0 million each. See "Management--Executive Officers, Directors and Certain Key Employees".

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

#### Uncertain Ability to Finance the Company's Growth

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

The terms of the Company's credit facility require the Company to obtain the consent of the lending banks prior to consummating acquisitions of other businesses for cash consideration (including all liabilities assumed) in excess of \$5.0 million. Furthermore, the Company's credit facility contains various financial covenants predicated on the Company's present and projected financial condition. In the event future operations differ materially from that which is anticipated, the Company may no longer be able to meet the tests provided in the covenants contained in the credit facility. A failure to meet such covenants or the occurrence of other events may result in a default under such

credit facility. A default under such credit facility could result in acceleration of the repayment of the debt incurred thereunder which could have a material adverse effect upon the Company's business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources".

#### Limitations on Landfill Permitting and Expansion

The Company's operating program depends on its ability to expand the landfills it owns and leases and to develop new landfill sites. As of July 31, 1997, the estimated total remaining permitted disposal capacity of the four landfills operated by the Company was 1,979,979 tons, with approximately 7,350,250 additional tons of disposal capacity in various stages of permitting. In some areas, suitable land for new sites or expansion of the Company's existing landfill sites may be unavailable. There can be no assurance that the Company

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

#### Geographic Concentration Risks

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

#### Seasonality of Business Impacts Quarterly Operating Results

The Company's revenues have historically been lower during the months of November through March. This seasonality reflects the lower volume of solid waste during the late fall, winter and early spring months primarily because: (i) the volume of solid waste relating to construction and demolition activities decreases substantially during the winter months in the northeastern

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

#### Fluctuations in Quarterly Results; Potential Stock Price Volatility

The Company believes that period-to-period comparisons of its operating results should not be relied upon for an indication of future performance. Due to a variety of factors including general economic conditions, governmental regulatory action, acquisitions, capital expenditures and other costs related to the expansion of operations and services and pricing changes (including the market price of commodities such as recycled materials), it is possible that in some future quarter the Company's operating results will be below the expectations of public market analysts and investors. In such event, the Company's Class

A Common Stock price could be materially adversely affected. The market price of the Class A Common Stock may be highly volatile and is likely to be affected by factors such as actual or anticipated fluctuations in the Company's operating results, announcements of new acquisitions or contracts by the Company, its competitors or their customers, government regulatory action, general market conditions and other factors. Also, the market price of the Class A Common Stock may be affected by factors affecting the waste management industry in which the Company competes. In addition, the stock market has from time-to-time experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies whose securities are publicly traded; yet, these broad market fluctuations may also adversely affect the market price of the publicly traded securities of such companies, including the Company's Class A Common Stock. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been commenced against such companies. There can be no assurance that such litigation will not occur in the future with respect to the Company. Such litigation could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business, financial condition and results of operations. Any adverse determination in such litigation could also subject the Company to significant liabilities.

#### Highly Competitive Industry

The solid waste services industry is highly competitive and fragmented, and requires substantial labor and capital resources. Certain of the markets in which the Company competes or will likely compete are served by one or more of the large national solid waste companies, as well as numerous regional and local solid waste companies of varying sizes and resources. The Company also competes with operators of alternative disposal facilities, including incinerators, and with counties, municipalities, and solid waste districts that maintain their own waste collection and disposal operations. These counties, municipalities, and solid waste districts may have financial advantages due to the availability to them of user fees, similar charges or tax revenues and the greater availability to them of tax-exempt financing. Intense competition exists not only to provide services to customers but also to acquire other businesses within each market. Certain of the Company's competitors have significantly greater financial and other resources than the Company. From time to time, these or other competitors may reduce the price of their services in an effort to expand market share or to win a competitively bid municipal contract. These practices may either require the Company to reduce the pricing of its services or result in the Company's loss of business. In fiscal 1997, the Company derived approximately 20% of its revenue from municipal customers. As is generally the case in the industry, these contracts are subject to periodic competitive bidding. There can be no assurance that the Company will be the successful bidder to obtain or retain these contracts. The Company's

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

#### Comprehensive Government Regulation

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

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

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The design, construction, operation and closure of landfills is extensively regulated. These include, among others, the regulations establishing minimum Federal requirements promulgated by the U.S. Environmental Protection Agency ("EPA") in October 1991 under Subtitle D (the "Subtitle D Regulations") of the Resource Conservation and Recovery Act of 1976 (the "RCRA"). Government allegations that the Company failed to comply with these regulations has resulted in the payment by the Company of three civil penalties (in the aggregate less than \$100,000 in its 22-year operating history). Such failures could require the Company to undertake costly and time consuming investigatory or remedial activities, to curtail operations, to close a landfill temporarily or permanently, and to defend itself against enforcement actions brought by and pay civil penalties imposed by EPA or state regulatory agencies. Changes in these regulations could require the Company to modify, supplement or replace equipment or facilities at costs which may be substantial. The failure of regulatory agencies to enforce these regulations vigorously or consistently may give an advantage to competitors of the Company whose facilities do not comply with the Subtitle D Regulations or their state counterparts. The Company's financial obligations arising from any failure to comply with these regulations could have a material adverse effect on the Company's business, financial condition and results of operations.

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

business, financial condition and results of operations.

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

Businesses that provide waste services, including the Company, are frequently subject in the normal course of operations to judicial and administrative proceedings involving Federal, state or local agencies or citizens' groups. These government agencies may seek to impose fines or penalties on the Company or to revoke, suspend, modify or deny renewal of the Company's operating permits, approvals or licenses for violations or alleged violations of environmental laws or regulations or require that the Company make expenditures to remediate potential environmental problems relating to waste transported, disposed of or stored by the Company or its predecessors, or resulting from its or its predecessors' transportation, collection and disposal operations. Any adverse outcome in these proceedings could have a material adverse effect on the Company's business, financial condition and results of operations and may subject

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the Company to adverse publicity. The Company may be subject to actions brought by individuals or community groups in connection with the permitting, approving or licensing of its operations, any alleged violation of such permits, approvals or licenses or other matters. See "--Potential Environmental Liability".

#### Potential Environmental Liability

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

The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), imposes strict, joint and several liability on the present owners and operators of facilities from which a release of hazardous substances into the environment has occurred, as well as any party that owned or operated the facility at the time of disposal of the hazardous substances, regardless of when the hazardous substance was first detected. Similar liability is imposed upon the generators of waste which contains hazardous substances and upon hazardous substance transporters that select the treatment, storage or disposal site. All such persons, who are referred to as potentially responsible parties ("PRPs"), generally are jointly and severally liable for the expense of waste site investigation, waste site cleanup costs and natural resource damages, regardless of whether they exercised due care and complied with all relevant laws and regulations. These costs can be very substantial. Furthermore, such liability can be based upon the existence of

only very small amounts of "hazardous substances", as defined in CERCLA, which is a much broader category of substances than "hazardous wastes", as defined in RCRA. The states in which the Company operates have laws similar to CERCLA which also impose environmental liability on broad classes of parties. Although the Company is not in the business of transporting or disposing of hazardous waste, it is possible that hazardous substances have in the past, or may in the future, come to be located in landfills with which the Company has been associated as a generator or transporter of waste or as an owner or operator of the landfill. If EPA ever determines that remedial measures under CERCLA or RCRA are appropriate at any of these sites or operations, if a state agency makes such a finding under similar state law, or if a third party brings a private cost-recovery or contribution action with respect to remedial costs incurred, the Company could be subject to substantial liability which could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Regulation".

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

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#### Potential Inadequacy of Accruals for Closure and Post-Closure Costs

The Company will have material financial obligations relating to closure and post-closure costs of its existing landfills and any disposal facilities which it may own or operate in the future. In addition to the four landfills currently operated by the Company, the Company owns and/or operated five unlined landfills which are not currently in operation. Three of these landfills have been closed and environmentally capped by the Company, and a fourth is in the final stages of obtaining governmental closure design approval. The fifth unlined landfill, a municipal landfill which is adjacent to the Subtitle D Clinton County landfill being operated by the Company, was operated by the Company from July 1996 through July 1997. The Company has initiated closure and capping activities at this landfill which it expects to complete by the end of the second quarter of fiscal 1998. Clinton County has indemnified the Company for environmental liabilities arising from such unlined landfill prior to its operation by the Company. The Company has provided and will in the future provide accruals for future financial obligations relating to closure and post-closure costs of its owned or operated landfills (generally for a term of 30 years after final closure of a landfill) based on engineering estimates of consumption of permitted landfill airspace over the useful life of any such landfill. There can be no assurance that the Company's financial obligations for closing or post-closing costs will not exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds established for such purpose. Such a circumstance could have a material adverse effect on the Company's business, financial condition and results of operation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Operations--Landfills".

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

Municipal solid waste collection contracts and landfill closure obligations may require performance or surety bonds, letters of credit, or other means of financial assurance to secure contractual performance. If the Company were unable to obtain performance or surety bonds or letters of credit in sufficient amounts or at acceptable rates, it could be precluded from

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

#### Incurrence of Charges Related to Capitalized Expenditures

In accordance with generally accepted accounting principles, the Company capitalizes certain expenditures and advances relating to acquisitions, pending acquisitions and landfills. Indirect acquisition costs, such as executive salaries, general corporate overhead, public affairs and other corporate services, are expensed as incurred. The Company's policy is to charge against earnings any unamortized capitalized expenditures and advances (net of any portion thereof that the Company estimates will be recoverable, through sale or otherwise) relating to any operation that is permanently shut down, any pending acquisition that is not consummated and any landfill development project that is not expected to be successfully completed. Therefore, the Company may be required to incur a charge against earnings in future periods, which charge, depending upon the magnitude thereof, could have a material adverse effect on the Company's business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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

The holders of Class B Common Stock of the Company are entitled to ten votes per share, whereas the holders of Class A Common Stock are entitled to one vote per share. As of July 31, 1997, an aggregate of 1,000,000 shares of Class B Common Stock, representing 10,000,000 votes, were outstanding, all of which were beneficially owned by John W. Casella, the President, Chief Executive Officer and Chairman of the Board of Directors of the Company, and by Douglas R. Casella, the Vice Chairman of the Board of Directors of the Company or trusts for the benefit of their minor children (together, the "Casellas"). Upon the completion of this Offering, the Casellas together will beneficially own shares of Common Stock

representing approximately % of the aggregate votes to be cast. As a result, the Casellas, if acting together, will be able to control the election of all but one member of the Board of Directors and the outcome of other matters submitted for stockholder consideration, including, without limitation, matters involving the control of the Company, irrespective of how other stockholders may vote. This concentration of ownership and voting control may have the effect of delaying or preventing a change of control of the Company which may be favored by the Company's other stockholders. There can be no assurance that the Casellas' ability to prevent or cause a change in control of the Company will not have a material adverse effect on the market price of the Class A Common Stock. Shares of Class B Common Stock will automatically convert into shares of Class A Common Stock in the event they cease to be held by Class B Permitted Holders (as defined) and under certain other circumstances. The Casellas have certain contractual relationships with the Company. See "Certain Transactions" for a discussion of contractual relations between the Casellas and the Company. See also "Principal and Selling Stockholders" and "Description of Capital Stock".

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

The Company's Amended and Restated Certificate of Incorporation (the "Restated Certificate of Incorporation") and Amended and Restated By-Laws (the "Restated By-Laws") provide for the Company's Board to be divided into three classes of directors serving staggered three-year terms. As a result, beginning in 1998, approximately one-third of the Company's Board will be elected each year. The classified board is designed to ensure continuity and stability in

the board's composition and policies in the event of a hostile takeover attempt or proxy contest. The classified board would extend the time required to effect any changes in control of the Company's Board and may tend to discourage any hostile takeover bid for the Company. Because only a minority of the directors will be elected at each annual meeting, it would normally take at least two annual meetings for holders of even a significant majority of the Company's voting stock to effect a change in the composition of a majority of the Company's Board, absent approval of the Company's Board. Because of the additional time required to change the composition of the Company's Board, a classified board may also make the removal of incumbent management more difficult, even if such removal would be beneficial to stockholders generally, and may tend to discourage certain tender offers.

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

The Company's Restated Certificate of Incorporation and Restated By-Laws provide that any action required or permitted to be taken by stockholders of the Company must be effected at a duly called annual or special meeting of stockholders and may not be effected by written consent, and require reasonable advance notice and other procedures to be followed by a stockholder in connection with a proposal or director nomination which such stockholder desires to present at any annual or special meeting of stockholders. Special meetings of stockholders may be called only by the President of the Company or by the Board of Directors. The Restated Certificate of Incorporation and Restated By-Laws provide that members of the Board of Directors may be removed only upon the affirmative vote of holders of shares representing at least 75% of the votes entitled to be cast. The Company is subject to the anti-takeover provision of Section 203 of the Delaware General Corporation Law, which will prohibit the Company from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change of control of the Company. These provisions, and the provisions of the Restated Certificate of Incorporation and Restated By-Laws, may have the effect of deterring hostile

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takeovers or delaying or preventing changes in control or management of the Company, including transactions in which stockholders might otherwise receive a premium for their shares over then current market prices. In addition, these provisions may limit the ability of stockholders to approve transactions that they may deem to be in their best interests. See "Description of Capital Stock--Preferred Stock" and "--Delaware Law and Certain Charter and By-Law Provisions".

#### No Prior Public Market

Prior to this Offering, there has been no public market for the Company's Class A Common Stock, and there can be no assurance that an active trading market for the Company's Class A Common Stock will develop or be sustained after completion of this Offering. The initial public offering price of the Class A Common Stock will be determined through negotiations between the Company and the representatives of the Underwriters based on several factors and may not be indicative of the market price of the Class A Common Stock after completion of this Offering. See "Underwriting".

Potential Adverse Impact of Shares Eligible for Future Sale; Registration Rights

The sale of substantial amounts of the Company's Class A Common Stock in the public market following this Offering (including shares issued upon the exercise of outstanding warrants and stock options), or the perception that such sales could occur, could adversely affect prevailing market prices of the Company's Class A Common Stock. All of the shares offered hereby will be freely saleable in the public market after completion of this Offering, unless acquired by affiliates of the Company. The remaining 6,699,015 shares of Common Stock (including Class B Common Stock) held by existing stockholders upon completion of the offering will be "restricted securities" as that term is defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144 or 701 promulgated under the Securities Act. The Company's directors and officers and certain of its stockholders have agreed that they will not sell, directly or indirectly, any shares of Common Stock without the prior consent of the representatives of the Underwriters for a period of 180 days from the date of this Prospectus. After this 180-day period expires, 1,986,505 of the currently outstanding shares will be saleable in the public market without volume limitations under Rule 144(k) promulgated under the Securities Act of 1933, as amended (the "Securities Act") and 4,712,510 shares will be eligible for resale in the public market subject to certain volume restrictions under Rule 144 promulgated under the Securities Act. In addition, certain stockholders, representing approximately 4,316,537 shares of Common Stock, have the right, subject to certain conditions, to include their shares in future registration statements relating to the Company's securities and to cause the Company to register certain shares of Common Stock owned by them. See "Shares Eligible for Future Sale." After the completion of this Offering, the Company intends to file a registration statement under the Securities Act to register all shares issuable upon exercise of stock options or other awards granted or to be granted under its stock plans. After the filing of such registration statement and subject to certain restrictions under Rule 144, these shares will be freely saleable in the public market immediately following exercise of such options. See "Management--Stock Options", "Description of Capital Stock", "Shares Eligible for Future Sale" and "Underwriting".

#### Immediate and Substantial Dilution

Purchasers of shares of Class A Common Stock in this Offering will incur an immediate and substantial dilution in the net tangible book value per stock of the Class A Common Stock from the initial public offering price. See "Dilution".

#### No Dividends

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

#### USE OF PROCEEDS

The net proceeds to the Company from the sale of the shares of Class A Common Stock offered by the Company pursuant to this Offering are estimated to be \$ million, assuming an initial public offering price of \$ per share and after deducting the estimated underwriting discount and Offering expenses. The Company will not receive any proceeds from the sale of shares of Class A Common Stock by the Selling Stockholders hereunder. See "Principal and Selling Stockholders".

The Company intends to use approximately \$3.0 million of such proceeds to redeem the outstanding shares of its Series C Preferred Stock (a portion of which is beneficially owned by affiliates of certain non-management directors), which are required to be redeemed upon the closing of this Offering. The Company intends to use the balance of such proceeds to reduce the outstanding balance under its credit facility.

The Company's credit facility with a group of banks led by BankBoston N.A., as agent, consists of an \$85.0 million revolving line of credit, subject

to availability, and term loans aggregating \$25.0 million. The revolving line of credit matures in July 2002, and bears interest at varying rates which at August 31, 1997 were equal to the agent bank's base rate plus up to 0.25% per annum, or at the applicable Eurodollar rate plus up to 2.75% per annum. BankBoston's base rate at August 31, 1997 was 8.75% per annum. The term loans of \$10.0 million and \$15.0 million mature in July 2002 and July 2004, respectively. At August 31, 1997, an aggregate of \$56.1 million was outstanding under the revolving line of credit. The terms of the credit facility permit the Company to re-borrow under the revolving credit facility for acquisitions (subject to certain restrictions) and general corporate purposes. The Company continually evaluates potential acquisition candidates and intends to continue to pursue acquisition opportunities that may become available. See "Risk Factors--Uncertain Ability to Finance the Company's Growth" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources".

DIVIDEND POLICY

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

DILUTION

The pro forma net tangible deficit of the Company as of July 31, 1997 was \$ million, or \$ per share of Common Stock. Pro forma net tangible book value per share is determined by dividing the Company's pro forma tangible net worth (tangible assets less liabilities) by the number of shares of Common Stock outstanding on a pro forma basis. After giving effect to the sale of the Class A Common Stock offered by the Company pursuant to this Offering at an assumed initial public offering price of \$ per share and after deducting the estimated underwriting discount and offering expenses, the pro forma net tangible book value of the Company as of July 31, 1997 would have been \$ million, or \$ per share of Common Stock. This represents an immediate increase in such pro forma net tangible book value of \$ per share to existing stockholders and an immediate dilution of \$ per share to new investors purchasing shares of Class A Common Stock in this Offering. If the initial public offering price is higher or lower, the dilution to the new investors will be greater or less, respectively. The following table illustrates the per share dilution:

Assumed initial public offering price per share .....	\$
Pro forma net tangible deficit per share as of	
July 31, 1997 .....	\$
Increase per share attributable to this Offering .....	
Pro forma net tangible book value per share after this Offering .	
Dilution per share to new investors .....	\$
	=====

The following table summarizes, on a pro forma basis as of July 31, 1997, the total number of shares of Common Stock purchased from the Company, the total consideration paid to the Company (including the fair market value of shares of Class A Common Stock issued in connection with acquisitions made by the Company), and the average consideration paid per share by existing stockholders and by new investors assuming an initial public offering price of \$ per share (before deducting the estimated underwriting discount and offering expenses):

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders(1) (2) .....	7,699,015		\$26,851,732		\$3.49
New investors .....					
Total .....		100.0%	\$	100.0%	\$

(1) Sales by Selling Stockholders in this Offering will reduce the number of shares of Common Stock held by existing stockholders to \_\_\_\_\_ shares, or \_\_\_\_\_, of the total number of shares of Common Stock to be outstanding after this Offering ( \_\_\_\_\_ shares, or \_\_\_\_\_, if the Underwriters' over-allotment option is exercised in full), and will increase the number of shares of Common Stock held by new investors to \_\_\_\_\_ shares, or \_\_\_\_\_ of the total number of shares to be outstanding ( \_\_\_\_\_ shares, or \_\_\_\_\_, if the Underwriters' over-allotment option is exercised in full). See "Principal and Selling Stockholders".

(2) Excludes (i) 1,377,635 shares of Class A Common Stock issuable upon exercise of stock options outstanding on July 31, 1997 with a weighted average exercise price of \$6.21 per share; (ii) an additional 1,658,500 shares reserved for issuance under the Stock Plans; and (iii) warrants to purchase 289,906 shares of Class A Common Stock with a weighted average exercise price of \$5.11 per share. See "Management--Benefit Plans", "Description of Capital Stock" and Note 7 of Notes to Consolidated Financial Statements.

CAPITALIZATION

The following table sets forth the capitalization of the Company pro forma (i) to give effect to: (a) the automatic redemption upon the closing of this Offering of the Series A Preferred Stock and Series B Preferred Stock with the redemption price applied to the exercise of warrants to purchase 1,811,199 shares of Class A Common Stock; (b) the automatic conversion upon the closing of this Offering of outstanding shares of Series D Convertible Preferred Stock into 1,922,169 shares of Class A Common Stock; and (c) the filing upon the closing of this Offering of the Restated Certificate of Incorporation, and (ii) as adjusted to reflect (a) the issuance and sale of the shares of Class A Common offered by the Company pursuant to this Offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share, after deducting the estimated underwriting discount and offering expenses, and the application of the net proceeds therefrom, and (b) the exercise of warrants to purchase 91,202 shares of Class A Common Stock at a weighted average exercise price of \$5.37 per share and the application of the estimated net proceeds therefrom, which exercise will occur immediately prior to the closing of this offering. See "Use of Proceeds". This table should be read in conjunction with the Unaudited Pro Forma Consolidated Statement of Operations and the Notes thereto and the Consolidated Financial Statements and the Notes thereto included elsewhere in the Prospectus.

July 31, 1997

	Pro Forma	Pro Forma as Adjusted
	(in thousands)	
Current maturities of long-term obligations .....	\$ 4,295	\$
Long-term obligations, net of current maturities .....	81,613	
Series C Mandatorily Redeemable Preferred Stock, \$.01 par value; \$7.00 redemption value; 1,000,000 shares authorized; 424,307 shares issued and outstanding, none as adjusted .....	2,970	--
Redeemable put warrants(1) .....	700	
Stockholders' equity:		
Preferred Stock, \$.01 par value; 1,000,000 shares authorized, no shares issued or outstanding .....	--	--
Class A Common Stock, \$.01 par value; 30,000,000 shares authorized; 6,607,813 shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted(2) .....	66	
Class B Common Stock, \$.01 par value; 1,000,000 shares authorized; 1,000,000 shares issued and outstanding, pro forma and pro forma as adjusted; .....	10	
Additional paid-in capital .....	41,225	
Accumulated deficit .....	(12,554)	
Total stockholders' equity .....	28,747	
Total capitalization .....	\$114,030	\$

- (1) Represents warrants to purchase 100,000 shares of Class A Common Stock exercisable at \$6.00 per share. Pursuant to the terms of these warrants, after July 31, 1997, warrants to purchase 25,000 shares were exercised by the holder at \$6.00 per share, and warrants to purchase 75,000 shares were called by the Company at \$7.00 per share.
- (2) Excludes: (i) 1,377,635 shares of Class A Common Stock issuable upon exercise of stock options outstanding on July 31, 1997 with a weighted average exercise price of \$6.21 per share; (ii) an additional 1,658,500 shares reserved for issuance under the Stock Plans; and (iii) warrants to purchase 289,906 shares of Class A Common Stock with a weighted average exercise price of \$5.11 per share. See "Management--Benefit Plans", "Description of Capital Stock" and Note 7 of Notes to Consolidated Financial Statements.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following selected consolidated financial and operating data set forth below with respect to the Company's consolidated statements of operations for the fiscal years ended April 30, 1995, 1996 and 1997, and for the three months ended July 31, 1997, and the consolidated balance sheets as of April 30, 1996 and 1997 and as of July 31, 1997 are derived from the financial statements of the Company included elsewhere in this Prospectus and the consolidated statement of operations data for the fiscal year ended April 30, 1994 and the consolidated balance sheet data as of April 30, 1994 and 1995 are derived from the Company's consolidated financial statements, which statements have been audited by Arthur Andersen LLP. The data presented as of and for the fiscal year ended April 30, 1993 and as of and for the three months ended July 31, 1996 are derived from the Company's unaudited consolidated financial statements not included herein, which have been prepared on the same basis as the audited financial statements of the Company and, in the opinion of the Company, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of such data. The results for the three months ended July 31,

1997 are not necessarily indicative of results to be expected for the full year. The data set forth below should be read in conjunction with the Unaudited Pro Forma Consolidated Statement of Operations and Notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus.

Fiscal Year Ended April 30,

	1993	1994	1995	1996	1997	Pro Forma as adjusted(1) (2) 1997
(in thousands)						
Statement of Operations Data:						
Revenues .....	\$11,375	\$ 13,491	\$20,873	\$38,109	\$73,176	\$
Cost of operations .....	7,222	9,640	11,615	21,654	43,504	
General and administrative .....	2,276	2,702	2,456	6,302	11,340	
Depreciation and amortization .....	1,352	1,483	4,511	7,643	13,053	
Operating income (loss) .....	525	(334)	2,291	2,510	5,279	
Interest expense, net .....	354	613	1,713	2,392	3,908	
Other expense (income), net .....	(142)	207	56	(78)	931	
Income (loss) before provision (benefit) for income taxes, extraordinary items and cumulative effect of change in accounting principle .....	313	(1,154)	522	196	440	
Provision (benefit) for income taxes .....	155	(441)	220	144	452	
Extraordinary items .....	--	--	--	326	--	--
Change in accounting principle .....	--	124	--	--	--	--
Net income (loss) .....	\$ 158	\$ (837)	\$ 302	\$ (274)	\$ (12)	\$
Accretion of Series C Preferred Stock .....	--	--	--	(65)	(204)	--
Net Income (loss) applicable to common stockholders .....	\$ 158	\$ (837)	\$ 302	\$ (339)	\$ (216)	\$

Three Months Ended July 31,

	1996	1997	Pro Forma as adjusted(1) (2) 1997
Statement of Operations Data:			
Revenues .....	\$15,217	\$26,429	\$
Cost of operations .....	8,717	15,662	
General and administrative .....	2,302	3,680	
Depreciation and amortization .....	3,007	3,851	
Operating income (loss) .....	1,191	3,236	
Interest expense, net .....	678	1,634	
Other expense (income), net .....	(21)	(15)	

Income (loss) before provision (benefit) for income taxes, extraordinary items and cumulative effect of change in accounting principle .....	534	1,617	
Provision (benefit) for income taxes .....	508	727	
Extraordinary items .....	--	--	--
Change in accounting principle .....	--	--	--
	-----	-----	-----
Net income (loss) .....	\$ 26	\$ 890	\$
	=====	=====	=====
Accretion of Series C Preferred Stock .....	(52)	(51)	--
	-----	-----	-----
Net Income (loss) applicable to common stockholders .....	\$ (26)	\$ 839	\$
	=====	=====	=====

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Fiscal Year Ended April 30,

	1993	1994	1995	1996	1997	Pro Forma as adjusted(1) (2) 1997
	-----					
	(in thousands)					
Other Operating Data:						
EBITDA(3) .....	\$1,877	\$ 1,149	\$ 6,802	\$ 10,153	\$ 18,332	\$
	=====	=====	=====	=====	=====	=====
Capital expenditures .....	\$ 597	\$ 843	\$ 3,415	\$ 10,081	\$ 14,926	
	=====	=====	=====	=====	=====	
Cash flows from operating activities .....	\$1,632	\$ 1,559	\$ 4,511	\$ 8,224	\$ 14,726	
	=====	=====	=====	=====	=====	
Cash flows from investing activities .....	\$(903)	\$(2,270)	\$(8,841)	\$(27,485)	\$(50,314)	
	=====	=====	=====	=====	=====	
Cash flows from financing activities .....	\$(672)	\$ 1,007	\$ 4,617	\$ 19,022	\$ 36,528	
	=====	=====	=====	=====	=====	

Three Months Ended July 31,

	1996	1997	Pro Forma as adjusted(1) (2) 1997
	-----		
Other Operating Data:			
EBITDA(3) .....	\$ 4,198	\$ 7,087	\$
	=====	=====	=====
Capital expenditures .....	\$ 2,806	\$ 4,579	
	=====	=====	
Cash flows from operating activities .....	\$ 2,970	\$ 3,079	
	=====	=====	
Cash flows from investing activities .....	\$(8,026)	\$(9,465)	
	=====	=====	
Cash flows from financing activities .....	\$ 4,925	\$ 6,927	
	=====	=====	

	April 30,					July 31,	Pro Forma(1) July 31,
	-----						
	1993	1994	1995	1996	1997	1997	1997
	-----						

Balance Sheet							
Data:							
Cash and cash equivalents	\$ 132	\$ 427	\$ 714	\$ 475	\$ 1,415	1,955	1,955
Working capital (deficit)	(961)	(729)	(1,277)	(1,874)	(4,629)	(572)	(572)
Property and equipment, net	5,148	6,394	22,485	36,903	64,817	67,573	67,573
Total assets	10,257	13,055	35,270	61,248	133,373	142,568	142,568
Long-term obligations, less current maturities	4,051	7,331	20,557	21,646	71,882	81,613	81,613
Redeemable preferred stock	--	--	--	22,896	31,426	33,541	2,970
Redeemable put warrants(4)	--	62	3,142	400	400	400	700
Total stockholders' equity (deficit)	1,626	738	2,098	(1,142)	(311)	(1,524)	28,747

- (1) Pro forma to give effect to the automatic redemption upon the closing of this Offering of the Series A Preferred Stock and Series B Preferred Stock with the redemption price applied to the exercise of warrants to purchase 1,811,199 shares of Class A Common Stock and the automatic conversion upon the closing of this Offering of outstanding shares of Series D Convertible Preferred Stock into 1,922,169 shares of Class A Common Stock.
- (2) Adjusted to give effect to: (i) the acquisitions completed during fiscal 1997; (ii) the acquisition of substantially all of the assets of H.C. Gobin, Inc.; and (iii) the application of the estimated net proceeds from the Offering, at an assumed initial public offering price of \$ per share, after deducting the estimated underwriting discount and offering expenses payable by the Company, as if each had occurred on May 1, 1996. See "Use of Proceeds" and "Unaudited Pro Forma Consolidated Statement of Operations".
- (3) EBITDA is defined as operating income plus depreciation and amortization. EBITDA does not represent, and should not be considered as, an alternative to net income or cash flows from operating activities, each as determined in accordance with GAAP. Moreover, EBITDA does not necessarily indicate whether cash flow will be sufficient for such items as working capital or capital expenditures, or to react to changes in the Company's industry or to the economy generally. The Company believes that EBITDA is a measure commonly used by lenders and certain investors to evaluate a company's

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performance in the solid waste industry. The Company also believes that EBITDA data may help to understand the Company's performance because such data may reflect the Company's ability to generate cash flows, which is an indicator of its ability to satisfy its debt service, capital expenditure and working capital requirements. Because EBITDA is not calculated by all companies and analysts in the same fashion, the EBITDA measures presented by the Company may not be comparable to similarly-titled measures reported by other companies. Therefore, in evaluating EBITDA data, investors should consider, among other factors: the non-GAAP nature of EBITDA data; actual cash flows; the actual availability of funds for debt service, capital expenditures and working capital; and the comparability of the Company's EBITDA data to similarly-titled measures reported by other companies. For more information about the Company's cash flows, see page F-8.

- (4) Represents warrants to purchase 100,000 shares of Class A Common Stock exercisable at \$6.00 per share. Pursuant to the terms of these warrants, after July 31, 1997, warrants to purchase 25,000 shares were exercised by the holder at \$6.00 per share, and warrants to purchase 75,000 shares were called by the Company at \$7.00 per share.

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UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

The following Unaudited Pro Forma Consolidated Statement of Operations of the Company has been prepared based upon the historical Consolidated Financial Statements of the Company, and the Notes thereto included elsewhere in this Prospectus and gives effect to (i) the acquisitions completed during fiscal 1997; (ii) the acquisition of substantially all of the assets of H.C. Gobin, Inc.; and (iii) the application of the estimated net proceeds from the Offering, as if each had occurred as of May 1, 1996. See "Use of Proceeds".

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

Fiscal Year Ended April 30, 1997,					
Casella	Acquisitions			Adjustments Related to This Offering(5)	Pro Forma as Adjusted
	Historical(1)	Historical(2)	Adjustments(3)		
(in thousands, except per share data)					
Revenues .....	\$73,176	\$30,081	\$ --	\$ --	\$
Cost of operations .....	43,504	20,904	--	--	
General and administrative .....	11,340	3,992	--	--	
Depreciation and amortization .....	13,053	3,622	890 (3A)	--	
Operating income .....	5,279	1,563	(890)	--	
Interest expense, net .....	3,908	1,541	1,443 (3B)	(5A)	
Other (income) expense, net .....	931	279	--	--	
Income (loss) before provision (benefit) for income taxes .....	440	(257)	(2,333)		
Provision (benefit) for income taxes .....	452	(115)	(989) (4)	(4)	
Net income (loss) .....	\$ (12)	\$ (142)	\$ (1,344)	\$	\$
Net income (loss) per share of common stock .....					\$
Weighted average common stock and common stock equivalent shares outstanding(6) .....	\$18,332				\$
EBITDA(7) .....					

Three Months Ended July 31, 1997					
Casella	(in thousands, except per share data)			Adjustments Related to This Offering(5)	Pro Forma as Adjusted
	Historical(1)	H.C. Gobin Historical(2)	Adjustments(3)		
Revenues .....	\$26,429	\$1,262	\$ --	\$ --	\$
Cost of operations .....	15,662	1,039	--	--	
Selling, general & administrative .....	3,680	285	--	--	
Depreciation and amortization .....	3,851	92	18 (3A)	--	
Operating income .....	3,236	(154)	(18)	--	

Interest expense, net	1,634	70	98 (3B)	(5A)	
Other expenses (income), net	(15)	173	--	--	
Income (loss) before provision (benefit)					
for income taxes	1,617	(397)	(116)		
Provision (benefit) for income taxes	727	48	(229) (4)	(4)	
Net income (loss)	\$ 890	\$ (445)	\$ 113	\$	\$
Net income per share of common stock					\$
Weighted average common stock and common stock equivalent shares outstanding(6)					
EBITDA(7)	\$ 7,087				\$

(1) 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 completed acquisitions. Specifically, (i) no pro forma adjustment has been made to the historical amounts to reverse the impact of a certain non-recurring charge totalling \$650,000 incurred with the settlement of certain litigation naming the Company and brought derivatively in the name of the Meridian Group, Inc. (see "Certain Transactions"); (ii) no pro forma adjustment for the year ended April 30, 1997 has been made to reduce general and administrative expenses to eliminate specific expenses that the Company believes would not have been incurred had the acquisitions occurred as of May 1, 1996. Management estimates that such cost savings would have totaled \$907,000 and relate to: (a) elimination of payroll and benefits of terminated employees; and (b) reduction of payroll and benefits of owners of acquired businesses that continued on as employees of the Company; and (iii) no pro forma adjustment has been made to the historical amounts to give effect to the savings expected to be realized from the Company redirecting 8,000 tons of waste per month from third party landfills to the Subtitle D Clinton County landfill.

(2) Consists of the combined historical statement of revenues and direct operating expenses for the acquisitions completed during fiscal 1997 for the period of May 1, 1996 through their respective dates of acquisition as follows:

SCHEDULE OF COMPLETED ACQUISITIONS

Fiscal Year Ended April 30, 1997,						
Completed Acquisitions						
	(in thousands)					Total
	Clinton County(A)	Vermont Waste(B)	Superior Disposal(C)	H.C. Gobin(D)	Other	Acquisitions
Revenues	\$ 642	\$1,251	\$12,593	\$4,872	\$ 10,723	\$30,081
Cost of operations	449	524	9,136	3,699	7,096	20,904
General and administrative	31	561	488	945	1,967	3,992
Depreciation and amortization	90	12	2,358	394	768	3,622
Operating income (loss)	72	154	611	(166)	892	1,563
Interest expense, net	88	50	634	241	528	1,541
Other expense (income), net	(5)	(10)	69	136	89	279
Income (loss) before provision for income taxes	(11)	114	(92)	(543)	275	(257)
Provision for income taxes	--	--	20	(135)	--	(115)
Net income (loss)	\$ (11)	\$ 114	\$ (112)	\$ (408)	\$ 275	\$ (142)

(A) Acquisition completed on July 8, 1996.

- (B) Acquisition completed on November 26, 1996.
- (C) Acquisition completed on January 23, 1997.
- (D) Acquisition completed on September 12, 1997, but effective as of August 1, 1997.

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

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

	Fiscal Year Ended April 30, 1997	Three Months Ended July 31, 1997
	-----	-----
Incremental amortization of landfill costs recorded in purchase accounting .....	\$140	\$--
Incremental intangibles amortization .....	750	18
	-----	
Pro forma adjustment .....	\$890	\$18
	=====	=====

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

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

(5) Pro forma adjustments have been made to the historical amounts for the effects of the Offering as follows (in thousands):

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

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

(7) EBITDA is defined as operating income plus depreciation and amortization. EBITDA does not represent, and should not be considered as, an alternative to net income or cash flows from operating activities, each as determined in accordance with generally accepted accounting principles ("GAAP"). Moreover, EBITDA does not necessarily indicate whether cash flow will be

sufficient for such items as working capital or capital expenditures, or to react to changes in the Company's industry or to the economy generally. The Company believes that EBITDA is a measure commonly used by lenders and certain investors to evaluate a company's performance in the solid waste industry. The Company also believes that EBITDA data may help to understand the Company's performance because such data may reflect the Company's ability to generate cash flows, which is an indicator of its ability to satisfy its debt service, capital expenditure and working capital requirements. Because EBITDA is not calculated by all companies and analysts in the same fashion, the EBITDA measures presented by the Company may not be comparable to similarly-titled measures reported by other companies. Therefore, in evaluating EBITDA data, investors should consider, among other factors: the non-GAAP nature of EBITDA data; actual cash flows; the actual availability of funds for debt service, capital expenditures and working capital; and the comparability of the Company's EBITDA data to similarly-titled measures reported by other companies. For more information about the Company's cash flows, see page F-8.

- (8) An unaudited pro forma consolidated balance sheet has not been presented as the impact of the post-July 31 acquisition on the Company's historical consolidated balance sheet is not considered material. The Company paid \$4,566,325 in cash for tangible net assets of \$1,443,825. See "Capitalization" for the impact of this offering on Casella's debt and equity accounts.

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

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

##### Overview

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

The Company's revenues have increased from \$13.5 million for the fiscal year ended April 30, 1994, to \$73.2 million for the most recent fiscal year ended April 30, 1997. From May 1, 1994 through April 30, 1997, the Company acquired 44 solid waste collection, transfer and disposal operations. Between May 1 and September 12, 1997, the Company acquired an additional nine of such businesses. All of these acquisitions were accounted for under the purchase method of accounting for business combinations. Accordingly, the results of operations of these acquired businesses have been included in the Company's financial statements from the actual dates of acquisition and have materially affected period-to-period comparisons of the Company's historical results of operations.

##### General

The Company's revenues are attributable primarily to fees charged to customers for solid waste collection, landfill, transfer and recycling services. The Company derives a substantial portion of its collection revenues from commercial, industrial and municipal services which are generally performed under service agreements or pursuant to contracts with municipalities. The majority of the Company's residential collection services are performed on a subscription basis with individual households. Landfill and transfer customers are charged a tipping fee on a per ton basis for disposing of their solid waste at the Company's disposal facilities and transfer stations. The majority of the Company's landfill and transfer customers are under one-year to ten-year disposal contracts, with most having clauses for annual cost of living increases. Recycling revenues consist of revenues from

the sale of recyclable commodities. Other revenues consist primarily of revenue from waste tire processing operations and septic pumping and portable toilet operations. The Company's revenues are shown net of intercompany eliminations. The Company typically establishes its intercompany transfer pricing based upon prevailing market rates.

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

	% of Revenues				
	Fiscal Year Ended April 30,			Three Months Ended July 31,	
	1995	1996	1997	1996	1997
Collection .....	64.3%	62.6%	64.3%	61.0%	66.5%
Landfill .....	17.2	19.9	20.4	21.8	15.5
Transfer .....	7.5	8.0	6.3	7.8	7.1
Recycling .....	10.8	8.3	4.9	7.8	6.5
Other .....	0.2	1.2	4.1	1.6	4.4
Total Revenues .....	100.0%	100.0%	100.0%	100.0%	100.0%

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

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

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

Certain direct landfill development costs, such as engineering, permitting, legal, construction and other costs directly associated with expansion of existing landfills, are capitalized by the Company. Additionally, the Company also capitalizes certain third party expenditures related to pending acquisitions, such as legal and engineering. The Company will have material financial obligations relating to closure and post-closure costs of its existing landfills and any disposal facilities which it may own or operate in the future. The Company has provided and will in the future provide accruals for future financial obligations relating to closure and post-closure costs of its landfills (generally for a term of 30 years after final closure of a landfill) based on engineering estimates of consumption of permitted landfill airspace over the useful life of any such landfill. There can be no assurance that the Company's financial obligations for closure or post-closure costs will not exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds. The Company routinely evaluates all such capitalized costs, and expenses those costs related to projects not likely to be successful. Internal and indirect landfill development and acquisition costs, such as executive and corporate overhead, public relations and other corporate services, are expensed as incurred.

#### Results of Operations

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

	% of Revenues				
	Fiscal Year Ended April 30,			Three Months Ended July 31,	
	1995	1996	1997	1996	1997
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of operations	55.6	56.8	59.5	57.3	59.3
General and administrative	11.8	16.5	15.5	15.1	13.9
Depreciation and amortization	21.6	20.1	17.8	19.8	14.6
Operating income	11.0	6.6	7.2	7.8	12.2
Interest expense, net	8.2	6.3	5.3	4.5	6.2
Other (income) expenses, net	0.3	(0.2)	1.3	(0.1)	(0.1)
Provision for income taxes	1.1	0.4	0.6	3.4	2.8
Net income (loss) before extraordinary items	1.4	0.1	0.0	0.0	3.3
EBITDA	32.6%	26.6%	25.1%	27.6%	26.8%

#### Three Months Ended July 31, 1997 versus July 31, 1996

Revenues. Revenues increased \$11.2 million, or 73.7%, to \$26.4 million for the three months ended July 31, 1997, from \$15.2 million for the three months ended July 31, 1996. Approximately \$10.7 million of the increase was attributable to the impact of businesses acquired throughout fiscal 1997 and the three months ended July 31, 1997. In addition, approximately \$0.4 million of the increase, or 3.6%, was attributable to internal volume and price growth. The balance of the increase of approximately \$0.1 million in revenues was due to higher recyclable commodity prices in the three months ended July 31, 1997 versus the three months ended July 31, 1996.

Cost of Operations. Cost of operations increased approximately \$7.0 million, or 79.7%, to \$15.7 million for the three months ended July 31, 1997, from \$8.7 million for the three months ended July 31, 1996, an increase

corresponding primarily to the Company's revenue growth described above. Cost of operations as a percentage of revenues increased to 59.3% for the three months ended July 31, 1997, from 57.3% for the three months ended July 31, 1996. The increase was primarily the result of: (i) an increase in collection operations, which have higher operating costs than other operations, as a percentage of the Company's total operations; and (ii) losses sustained in the Company's waste tire processing operations in Southern Maine for the three months ended July 31, 1997. The Company expects the waste tire processing operations in Southern Maine to make a positive contribution for the balance of the current fiscal year.

General and Administrative. General and administrative expenses increased approximately \$1.4 million, or 59.8%, to \$3.7 million for the three months ended July 31, 1997, from \$2.3 million for the three months ended July 31, 1996. General and administrative expenses as a percentage of revenues decreased to 13.9% for the three months ended July 31, 1997, from 15.1% for the three months ended July 31, 1996, due primarily to improved economies of scale related to the significant increase in revenues.

Depreciation and Amortization. Depreciation and amortization expense increased approximately \$0.9 million, or 28.1%, to \$3.9 million for the three months ended July 31, 1997, from \$3.0 million for the three months ended July 31, 1996. As a percentage of revenues, depreciation and amortization expense decreased to 14.6% for the three months ended July 31, 1997, from 19.8% for the three months ended July 31, 1996. The decrease in depreciation and amortization expense as a percentage of revenues was primarily the result of: (i) an increase in the Company's collection operations as a percentage of the total revenues for the three months ended July 31, 1997, which have lower depreciation and amortization expenses than other operations; and (ii) a higher proportion of the Company's internal waste volume was disposed of at the Company's Clinton County, New York landfill for the three months ended July 31, 1997 which has a lower rate of amortization expense than the Company's other landfills (due to the large permitted capacity of the Clinton County landfill). Net fixed assets increased to \$67.6 million as of July 31, 1997, or 4.3%, from \$64.8 million as of April 30, 1997, and intangible assets, net of accumulated amortization expense, increased to \$50.0 million as of July 31, 1997, or 8.8%, from \$46.0 million as of July 31, 1996.

Interest Expense, Net. Interest expense increased approximately \$0.9 million, or 140.8%, to \$1.6 million for the three months ended July 31, 1997, from \$0.7 million for the three months ended July 31, 1996. This increase primarily reflects increased indebtedness incurred in connection with acquisitions and capital expenditures. The Company's total debt (including capital leases) was \$85.9 million at July 31, 1997 versus \$42.7 million at July 31, 1996, an increase of 101.2%.

Provision for Income Taxes. Provisions for income taxes increased approximately \$220,000, or 43.3%, to \$727,000 for the three months ended July 31, 1997, from \$508,000 for the three months ended July 31, 1996, due principally to a corresponding increase in pre-tax income of \$1.1 million for the three months ended July 31, 1997.

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

Revenues. Revenues increased \$35.1 million, or 92.0%, to \$73.2 million in fiscal 1997 from \$38.1 million in fiscal 1996. Approximately \$32.7 million of the increase was attributable to the impact of businesses acquired throughout fiscal 1996 and fiscal 1997. In addition, approximately \$3.4 million of the increase, or 9.7%, was attributable to internal growth through price and business volume increases. Such increases were principally attributable to a net increase in volume. Price increases for landfill services were

generally limited to inflation adjustments, and price increases for collection services have generally been limited by competitive factors. The effect of these revenue increases was partially offset by a decrease of approximately \$1.0 million due to lower recyclable commodity prices in fiscal 1997 versus fiscal 1996.

Cost of operations. Cost of operations increased \$21.8 million, or 100.1%, to \$43.5 million in fiscal 1997 from \$21.7 million in fiscal 1996, an increase corresponding primarily to the Company's revenue growth described above. Cost of operations as a percentage of revenues increased to 59.5% in fiscal 1997 from 56.8% in fiscal 1996. The increase was primarily the result of: (i) an increase in collection operations, which have higher operating costs than other operations, as a percentage of the Company's total operations as a result of acquisitions completed in fiscal 1996 and fiscal 1997; (ii) lower margins in recycling services due to lower commodity prices in fiscal 1997; and (iii) start-up and transitional expenses related to the acquisitions completed in fiscal 1997. The Company has historically expensed all costs related to post acquisition start-up and transitional expenditures.

General and administrative. General and administrative expenses increased approximately \$5.0 million, or 79.9%, to \$11.3 million in fiscal 1997 from \$6.3 million in fiscal 1996. General and administrative expenses as a percentage of revenues decreased to 15.5% in fiscal 1997 from 16.5% in fiscal 1996 due to improved economies of scale related to the significant increase in revenues, and operating enhancements made to certain acquired operations.

Depreciation and amortization. Depreciation and amortization expense increased approximately \$5.4 million, or 70.8%, to \$13.1 million in fiscal 1997 compared to \$7.6 million in fiscal 1996. As a percentage of revenues, depreciation and amortization expense decreased to 17.8% during fiscal 1997 from 20.1% in fiscal 1996. The decrease in depreciation and amortization expense as a percentage of revenues was primarily the result of an increase in the Company's collection operations as percentage of total revenues in fiscal 1997, which generally have lower depreciation and amortization expenses than other operations. Depreciation and amortization expense is expected to decline as a percentage of revenues in future periods as additional anticipated landfill airspace capacity is permitted which would result in spreading this expense over a longer anticipated life, and due to the expected increase in collection revenues as a percentage of total acquired revenues. Net fixed assets increased to \$64.7 million in fiscal 1997, or 75.0%, from \$36.9 million in fiscal 1996, and intangible assets, net of accumulated amortization expense, increased to \$46.0 million, or 298.5%, in fiscal 1997 from \$11.5 million in fiscal 1996 due primarily to acquisitions.

Interest expense, net. Interest expense increased approximately \$1.5 million, or 63.3%, to \$3.9 million in fiscal 1997 from \$2.4 million in fiscal 1996. This increase primarily reflects increased indebtedness incurred in connection with acquisitions and capital expenditures and was offset to a small degree by slightly lower average interest rates. The Company's total debt (including capital leases) was \$77.9 million at April 30, 1997 versus \$26.9 million at April 30, 1996, an increase of 189.9%.

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

Provision for income taxes. Provision for income taxes increased approximately \$308,000, or 215.1%, to \$452,000 in fiscal 1997 from \$144,000 in fiscal 1996, due principally to an increase in the amount of amortization of non-deductible goodwill and other non-deductible items in fiscal 1997 as compared to fiscal 1996.

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

Revenues. Revenues increased \$17.2 million, or 82.6%, to \$38.1 million in fiscal 1996 from \$20.9 million in fiscal 1995. Approximately \$15.4 million of the increase was attributable to the impact of businesses acquired throughout fiscal 1995 and fiscal 1996. In addition, approximately \$2.4 million of the increase, or 13.9%, was attributable to internal growth through price and business volume increases. Such increases were principally attributable to a net increase in volume. Price increases for landfill services

were generally limited to inflation adjustments, and price increases for collection services have generally been limited by competitive factors. The effect of these revenue increases was partially offset by a decrease of approximately \$0.6 million due to lower recyclable commodity prices in fiscal 1996 versus fiscal 1995.

**Cost of operations.** Cost of operations increased \$10.0 million, or 86.4%, to \$21.6 million in fiscal 1996 from \$11.6 million in fiscal 1995. This increase in costs was attributable primarily to increases in the Company's revenues described above. Cost of operations as a percentage of revenues increased to 56.8% in fiscal 1996 from 55.6% in fiscal 1995. This increase was primarily due to lower margins in recycling services due to lower commodity prices in fiscal 1996 versus fiscal 1995.

**General and administrative.** General and administrative expense increased approximately \$3.8 million, or 156.6%, to \$6.3 million in fiscal 1996 from \$2.5 million in fiscal 1995. As a percentage of revenues, general and administrative expenses increased to 16.5% in fiscal 1996 from 11.8% in fiscal 1995. The increase was primarily the result of: (i) the Company's increase in personnel and other expenses related to the anticipated growth of the Company; and (ii) the acquisition of the Sawyer Companies in January 1996, which had a higher proportion of general and administrative expenses to revenues (22.0%) than the balance of the Company.

**Depreciation and amortization.** Depreciation and amortization expense increased \$3.1 million, or 69.4%, to \$7.6 million from \$4.5 million in fiscal 1995. As a percentage of revenues, depreciation and amortization expense decreased to 20.1% in 1996 from 21.6% in fiscal 1995, primarily as a result of increased collection revenues without a commensurate increase in depreciable assets. Net fixed assets increased to \$36.9 million in fiscal 1996 from \$22.5 million in fiscal 1995, and intangible assets, net of accumulated amortization expense, increased to \$11.5 million in fiscal 1996 from \$5.9 million in fiscal 1995, an increase of 94.9%.

**Interest expense, net.** Interest expense increased approximately \$679,000, or 39.7%, to \$2.4 million in fiscal 1996 from \$1.7 million in fiscal 1995. This increase primarily reflects increased indebtedness incurred in connection with acquisitions. The Company's total debt (including capital leases) was \$26.9 million at April 30, 1996 versus \$24.2 million at April 30, 1995, an increase of 10.7%.

**Provision for income taxes.** Provision for income taxes decreased approximately \$76,000, or 34.8%, to \$144,000 in fiscal 1996 from \$220,000 in fiscal 1995, due principally to lower pre-tax income reported by the Company in fiscal 1996 as compared to fiscal 1995.

#### Liquidity and Capital Resources

The Company's business is capital intensive. The Company's capital requirements include acquisitions, fixed asset purchases and capital expenditures for landfill cell construction, landfill development and landfill closure activities. Principally due to these factors, the Company has incurred working capital deficits in the past. At July 31 1997, the Company had a working capital deficit of \$0.6 million. The Company plans to meet its capital needs through various financing sources, including internally generated funds and debt and equity financing. The Company has a credit facility with a group of banks for which BankBoston, N.A. is acting as agent. This credit facility includes an \$85.0 million revolving line of credit, subject to availability, and term loans aggregating \$25.0 million, and is secured by all assets of the Company, including all of the Company's interest in the equity securities of its subsidiaries. The revolving line of credit matures in July 2002, and the term loans of \$10.0 million and \$15.0 million mature in July 2002 and July 2004, respectively. At August 31, 1997, an aggregate of \$56.1 million was outstanding under the revolving line of credit. The Company believes that, through a combination of internally generated funds, its credit facility and the net proceeds of this Offering, it will be able to satisfy its anticipated working capital needs for at least the next 12 months. See "Risk Factors-- Uncertain Ability to Finance the Company's Growth" and "Use of Proceeds".

Net cash provided by operations in fiscal 1997 increased to \$14.7 million from \$8.2 million in fiscal 1996 primarily due to an increase in depreciation and amortization of approximately \$5.5 million in fiscal 1997 from fiscal 1996, and improvement of the Company's working capital.

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Net cash provided by operations in fiscal 1996 increased to \$8.2 million from \$4.5 million in fiscal 1995 primarily due to an increase in depreciation and amortization of approximately \$3.1 million in fiscal 1996 from fiscal 1995.

Net cash provided by operating activities for the three months ended July 31, 1996 and July 31, 1997 was \$3.0 million and \$3.1 million, respectively. Net cash provided by operating activities remained relatively constant in the three months ended July 31, 1997, notwithstanding higher revenue levels, was due principally to the increased costs associated, with absorbing and integrating the operations of acquired businesses.

Investing activities used net cash of \$50.3 million in fiscal 1997. For the three months ended July 31, 1996 and July 31, 1997, cash used for investing activities was \$8.0 million and \$9.5 million, respectively. The Company's capital expenditure and capital needs for acquisitions have increased significantly, reflecting the Company's rapid growth by acquisition and development of revenue producing assets and will increase further as the Company continues to complete acquisitions. While capital expenditures for fiscal 1998 are currently expected to be approximately \$13.3 million with respect to the businesses that the Company owned as of June 30, 1997, compared to total capital expenditures of \$14.9 million in fiscal 1997 and \$10.1 million in fiscal 1996, total capital expenditures are expected to further increase in fiscal 1998 due to acquisitions. The decrease of \$1.6 million in expected fiscal 1998 capital expenditures from fiscal 1997 capital expenditures relating to businesses owned by the Company as of July 31, 1997 is primarily due to the completion of construction of two transfer stations in fiscal 1997 and a decrease in landfill cell construction costs in fiscal 1998.

Net cash provided by financing activities was \$36.5 million, \$19.0 million and \$4.6 million in the fiscal years ended April 30, 1997, 1996 and 1995, respectively. For the three months ended July 31, 1996 and July 31, 1997, the Company's financing activities provided cash of \$4.9 million and \$6.9 million, respectively. The increased net cash provided by financing activities of \$2.0 million in the three months ended July 31, 1997 was due principally to an increase in bank borrowings under the Company's credit facility. Net cash provided by financing activities in fiscal 1997 reflects primarily bank borrowings and seller subordinated notes, less principal payments on debt. In fiscal 1996, the net cash provided by financing activities reflects the net proceeds of approximately \$12.5 million from the private placement of preferred stock in December 1995.

At July 31, 1997, the Company had approximately \$84.2 million of long-term and short-term debt, \$1.7 million in capital leases and \$2.8 million in letters of credit outstanding.

#### Seasonality

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

The Company's quarterly revenues and operating results have varied

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

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#### Inflation and Prevailing Economic Conditions

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

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

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### BUSINESS

#### The Company

Casella Waste Systems, Inc. is a regional, integrated, non-hazardous solid waste services company that provides collection, transfer, disposal and recycling services in Vermont, New Hampshire, Maine, upstate New York and northern Pennsylvania. As of July 31, 1997, the Company owned and/or operated four Subtitle D landfills, 31 transfer stations, eight recycling processing facilities, and 22 collection operations which together served over 68,000 commercial, industrial and residential customers. The Company was founded in 1975 as a single-truck operation in Rutland, Vermont and subsequently expanded its operations throughout the state of Vermont. In 1993, the Company initiated an acquisition strategy to take advantage of anticipated reductions in available landfill capacity in Vermont and surrounding states due to increasing environmental regulation and other market forces driving consolidation in the solid waste industry. From May 1, 1994 through April 30, 1997, the Company acquired ownership or long-term operating rights to 44 solid waste businesses, including four landfills, and, between May 1, 1997 and September 12, 1997, the Company acquired an additional nine such businesses. The Company believes that additional acquisition opportunities exist in the markets it serves and in other prospective markets.

The Company's operating strategy is based on the integration of its collection and disposal operations and the internalization of waste collected. The Company believes that control of a substantial portion of the waste stream and economies of scale provide it with advantages over non-integrated competitors in its markets. During fiscal 1997, approximately 65% of the solid waste collected by the Company was delivered for disposal at its landfills. Additionally, approximately 53% of the solid waste disposed of at its landfills was collected by the Company.

#### Industry Overview

Based on information obtained from the May 1997 edition of Waste Age, the Company believes that the United States non-hazardous solid waste services industry will generate estimated revenues of approximately \$36 billion in calendar 1997, of which approximately \$26 billion will be generated by publicly-traded or privately-owned waste companies and the remaining revenues will be generated by municipal, county and district operators.

Currently, the solid waste services industry is experiencing significant consolidation and integration. The Company believes that this consolidation and integration has been driven primarily by four factors: (i) stringent environmental regulation resulting in increased capital requirements; (ii) the inability of many smaller operators to achieve the economies of scale necessary to compete effectively with large integrated solid waste service providers; (iii) the competitive advantages of integrated companies generated by providing integrated collection, transfer and disposal capabilities; and (iv) privatization of solid waste services by municipalities. Despite the considerable consolidation and integration that has occurred in the solid waste industry in recent years, the Company believes the industry remains highly fragmented both within its target markets and nationally.

Stringent environmental regulations, such as the Subtitle D Regulations, have resulted in rising costs for owners of landfills. Subtitle D specifies design, siting, operating, monitoring, closure and financial security requirements for landfill operations. The permits required for landfill development, expansion or construction have also become increasingly difficult to obtain. In addition, Subtitle D requires more stringent engineering of solid waste landfills including the installation of liners and leachate and gas collection and monitoring. These ongoing costs are coupled with increased financial reserve requirements for closure and post-closure monitoring. Certain of the smaller industry participants have found these costs and regulations burdensome and have decided either to close their operations or to sell them to larger operators. As a result, the number of operating landfills has decreased while the size of landfills has increased.

Economies of scale, driven by the high fixed costs of landfill assets and the associated profitability of each incremental ton of waste, have led to the development of higher volume, regional landfills. Larger integrated operators achieve economies of scale in the solid waste collection and disposal industry

through vertical integration of their operations that may generate a significant waste stream for these high-volume landfills.

Integrated companies gain further competitive advantage over non-integrated operators by being able to control the waste stream. The ability of these companies to internalize the collected solid waste (i.e., collecting the waste at the source, transferring it through their own transfer stations and disposing of it at their own disposal facility), coupled with access to significant capital resources to make acquisitions, has created an environment in which large integrated companies can operate more cost effectively and competitively than non-integrated operators.

The trend toward consolidation in the solid waste services industry is further supported by the increasing tendency of a number of municipalities to privatize their waste disposal operations. Privatization is often an attractive alternative for municipalities due, among other reasons, to the ability of integrated operators to leverage their economies of scale to provide the community with a broader range of services while enabling the municipality to reduce its own capital asset requirements. The Company believes that the financial condition of municipal landfills in the northeastern United States was adversely affected by the 1994 United States Supreme Court decision which declared "flow control" laws unconstitutional. These laws had required waste generated in counties or districts to be disposed of at the respective county or district-owned landfills or incinerators. The reduction in the captive waste stream to these facilities, resulting from the invalidation of such laws, forced the counties that owned them to increase their per ton tipping fees to meet municipal bond payments. The Company believes that these market dynamics are factors causing municipalities throughout the northeastern states to consider the privatization of public facilities.

## Strategy

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

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

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

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**Internal Growth.** In order to generate continued internal growth, the Company has focused on increasing sales penetration in its current and adjacent markets, soliciting new commercial, industrial, and residential customers, marketing upgraded services to existing customers and, where appropriate, raising prices. As customers are added in existing markets, the Company's revenue per routed truck is improved, which generally increases the Company's collection efficiencies and profitability. The Company uses transfer stations, which serve to link disparate collection operations with Company-operated landfills, as an important part of its internal growth strategy.

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

## Acquisition Program

The Company's acquisition program is founded on strong management capabilities, strict acquisition criteria, and defined integration procedures. From May 1, 1994 through April 30, 1997, the Company acquired ownership or long-term operating rights to 44 solid waste businesses, including four

landfills, and acquired an additional nine such businesses between May 1, 1997 and September 12, 1997. The Company believes that additional nine acquisition candidates meeting the Company's acquisition criteria, including "tuck-in" opportunities, exist within its current and adjacent market areas.

The Company's three regional vice presidents, as well as the Chief Executive Officer and Chief Operating Officer, are each responsible for identifying acquisition candidates and consummating acquisitions. In addition to three dedicated business development personnel, who focus exclusively on acquisitions, each of the Company's 21 division managers is responsible for identifying acquisition opportunities within his or her region.

The Company has developed a set of financial, geographic and management criteria designed to assist management in the evaluation of acquisition candidates engaged in solid waste collection and disposal. These criteria consist of a variety of factors, including, but not limited to: (i) historical and projected financial performance; (ii) internal rate of return, return on assets and earnings accretion; (iii) experience and reputation of the acquisition candidate's management and customer service reputation and relationships with the local communities; (iv) composition and size of the acquisition candidate's customer base; (v) opportunity to enhance and/or expand the Company's market area and/or ability to attract other acquisition candidates; (vi) whether the acquisition will augment or increase the Company's market share and/or help protect the Company's existing customer base; and (vii) internalization opportunities to be gained by combining the acquisition candidate with the Company's existing operations.

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

The following table sets forth the acquisitions made by the Company from May 1, 1994 through September 12, 1997:

Company	Location	Business	Date Acquired
H.C. Gobin, Inc.	Clairemont, NH	Collection	September 1997
Chittenden Recycling Services, Inc.	Williston, VT	Recycling	June 1997
Reynells Company, Inc.	Waitsfield, VT	Septic	June 1997
D. M. Lamothe Refuse	St. Albans, VT	Collection	June 1997
Hinman Disposal Service	Wellsboro, PA	Collection	June 1997
Rainbow Rubbish	Cortland, NY	Collection	June 1997
Central Vermont Septic Services, Inc.	Burlington, VT	Septic	June 1997
Metivier Trucking	Burlington, VT	Collection	June 1997
Collins Garbage Service, Inc.	Ithaca, NY	Collection	May 1997
Certain Vermont Routes of Browning Ferris Industries of VT, Inc.	Manchester, VT	Collection	April 1997
T & R Associates, Inc.	Bath, ME	Collection	April 1997
Arlington Rubbish	Arlington, VT	Collection	March 1997
Barnier Sons and Barnier's Trucking	Burlington, VT	Collection	March 1997
Tri Mountain Trash	S. Londonderry, VT	Collection	March 1997
Wade's Trucking, Inc.	Penn Yan, NY	Collection/Recycling	February 1997
Food Waste Management	S. Burlington, VT	Collection	February 1997
Superior Disposal Services, Inc.	Newfield, NY; Wellsboro, PA; and Waverly, NY	Transfer Station Collection/Recycling	January 1997
Kerkim, Inc.	Horsehead, NY	Collection	January 1997

Company Name	Location	Service Type	Start Date
Young & Wilcox	Lowville, NY	Transfer Station	January 1997
Enviropac	Windham, ME	Collection	November 1996
Vermont Waste and Recycling Management, Inc.	New Haven, VT	Collection	November 1996
Certain Maine Routes of Browning Ferris Industries of Maine, Inc.	Brewer, ME	Collection	September 1996
Warren County, New York Routes of United Waste Systems, Inc.	Warren County, NY	Collection	September 1996
First Service Rubbish Removal	Crown Point, NY	Transfer Station/Collection	September 1996
C&B Sanitation, Inc.	Saratoga Springs, NY	Collection	September 1996
Lake Placid Disposal Service, Inc.	Lake Placid, NY	Collection	August 1996
Bob's Rubbish Removal	Bennington, VT	Collection	July 1996
Clinton County, NY Facilities (lease)	Clinton County, NY	Landfill/Transfer Station/Recycling	July 1996
Seaward T.I.R.E.S., Inc.	Eliot, ME	Waste Tire Recycling	July 1996
Ray's Disposal Service	Carmel, ME	Collection	June 1996
Jim Blair Trucking	Alburg, Vermont	Collection	May 1996
Earth Waste Systems, Inc.	West Rutland, VT	Collection/Recycling	May 1996
East Mountain Transport	Sunderland, VT	Collection/Transfer Station	May 1996
Residential Rubbish Service, Inc.	Waterbury, VT	Collection	April 1996
Hiram Hollow Regeneration Corp.	Wilton, NY	Transfer Station	March 1996
Chapin & Sons	Hardwick, VT	Collection	February 1996
RJ's Trucking & Rubbish Removal	Richford, VT	Collection	February 1996
Northeast Waste Services, LTD.	White River Junction, VT	Collection/Recycling	January 1996
R.C. & Son Sanitation, Inc.	Brant Lake, NY	Collection	January 1996

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Company Name	Location	Service Type	Start Date
Sawyer Companies	Bangor, ME	Landfill/Collection/Recycling/Transfer Station	January 1996
Granville Refuse Company	Granville, NY	Collection	September 1995
Warrensburg Sanitation	Lake George, NY	Collection	September 1995
Downey's Rubbish Removal, Inc.	Arlington, VT	Collection	August 1995
Green Mountain Sanitation, Inc.	Morrisville, VT	Collection/Recycling/Transfer Station	August 1995
Dana H. Sweet Corp.	Cambridge, VT	Collection	July 1995
M & R Rubbish, Inc.	Cossayuna, NY	Collection	July 1995
Adirondack Refuse, Inc.	Brant Lake, NY	Collection	June 1995
Central Vermont Quality Services, Inc.	Rutland, VT	Collection/Recycling	May 1995
Springer Waste Management Service	Glen Falls, NY	Collection	April 1995
Dix Rubbish Removal	Plainfield, VT	Collection	March 1995
Waste USA, Inc. (NEWS of VT)	Coventry, VT	Transfer Station/Landfill	January 1995
Consumat Sanco, Inc. (NCES Landfill)	Bethlehem, NH	Transfer Station/Landfill	July 1994
Catamount Waste Services, Inc.	Montpelier, VT	Transfer Station/Collection	June 1994

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

#### Service Area

The Company is managed on a decentralized basis, with its operations divided into three geographic regions: the Central, Eastern and Western Regions. These three regions are further divided into divisions organized around smaller market areas, known as "waste sheds", each of which contains the complete cycle of activities in the solid waste service process, from "curb control" (collection) to transfer stations to landfill (disposal facility). The Company believes that it achieves a competitive advantage in its markets over non-integrated competitors by acquiring components of the waste shed and internalizing operations and activities with other owned or controlled components of the waste shed.

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

Company's service area:

#### Central Region

The Central Region consists of Vermont, northern and central New Hampshire and eastern upstate New York, an area covering approximately 33,000 square miles and a population of approximately 2.4 million residents. The Company was founded in 1975 in Rutland, Vermont, and, through Casella Waste Management, has continued to grow its market presence in the Central Region. The Company owns and operates Subtitle D landfills in Bethlehem, New Hampshire; Coventry, Vermont and, through a 25-year capital lease, operates the Clinton County landfill located in Schuyler Falls, New York. In addition, Casella Waste Management operated 23 transfer stations in the Central Region at July 31, 1997.

Vermont encompasses approximately 9,600 square miles and has a population of approximately 560,000 residents. The Company owns the Waste USA landfill in Coventry, Vermont, one of three Subtitle D landfills in Vermont (one of the other two landfills is expected to close before the end of 1997), and leases (with a right to purchase) the airspace above this landfill. The Company provides services in substantially all of the markets in Vermont.

The Company estimates that its New Hampshire market area, consisting of the northern and central portions of the state (including Lebanon, Hanover, Concord and Plymouth), encompasses approximately 8,000 square miles and has a population of approximately 423,000 residents. New Hampshire currently has five Subtitle D landfills in operation, one of which, in Bethlehem, New Hampshire, is owned by the Company. In addition, three incinerators service the New Hampshire market. The Company believes that

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a majority of the disposal and incineration capacity in New Hampshire serves the southeastern New Hampshire and Boston markets and does not materially impact the Company's service area.

The portion of upstate New York within the Company's Central Region extends from Interstate 90 north to the Canadian border and from the Vermont border west to Interstate 81 and the eastern shore of Lake Ontario. This portion of New York includes Lake Placid, Lake George and Potsdam and encompasses approximately 15,500 square miles and a population of approximately 1.4 million residents. Four municipal Subtitle D landfills, including the Clinton County landfill operated by the Company, and one large volume incinerator are located in this area. The Company believes that certain segments of the Central Region will present opportunities for acquisitions and consolidations due to a trend toward privatization of landfills in this region.

#### Eastern Region

The Company's Eastern Region consists of the central and southern portions of Maine (including Bangor and Augusta). The Eastern Region market area encompasses approximately 15,000 square miles and has a population of approximately 840,000 residents. The Company established a market presence in Maine through the acquisition of the Sawyer Companies in December 1995. Through its Sawyer operations, the Company owns the SERF landfill located in Hampden, Maine, which processes ash, special waste and front end processing residue from a regional incinerator. In addition, the Company operates three transfer stations, and collects solid waste from commercial, industrial and residential customers. The Company's waste tire processing facility, located in Eliot, Maine, has the capacity to process approximately 3.5 million tires per year and generates tire derived fuel, which the Company sells to paper mills for consumption as a supplemental energy source for boiler fuel.

Unlike the other states in the Company's existing market area, Maine has an aggressive incineration program and the Company believes that approximately 80% of the waste shed in the Company's market area is disposed of through incineration. However, approximately 45% of the tonnage delivered to incinerators is returned to landfills as ash and front end processing residue, and the Company believes it is the largest disposer of incinerated waste material in Maine. There are presently four incinerators and five Subtitle D landfills operating in Maine, including the landfill owned and operated by the

Company. In addition, since 1989 Maine has had a moratorium on the development of commercial landfills that prohibits additional capacity from being built.

Western Region

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

The Company's Western Region encompasses approximately 27,000 square miles and has a population of approximately 2.4 million residents. Six municipal Subtitle D landfills and one privately-owned landfill are located in this area. The Company does not operate a landfill in the Western Region. The Company believes that municipal landfills in this region typically lack a sufficiently large captive waste stream to adequately offset the high operating costs of such landfills and, accordingly, that incentives exist for such landfills to be privatized. Privatization of landfills favors well-capitalized integrated operators, and creates opportunities for these operators to establish and consolidate waste sheds.

Operations

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

Landfills

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

In fiscal 1997, approximately 53% of the solid waste disposed of at the Company's landfills was delivered by the Company, and revenues from the Company's disposal operations accounted for approximately 20% of the Company's revenues.

The following table provides certain information, as of July 31, 1997, regarding the landfills that the Company operates:

Landfill	Location	Total Remaining Permitted Capacity (Tons)	Additional Permittable Capacity (Tons) (1)
Clinton County (2) .....	Schuyler Falls, NY	1,209,349	1,243,750
Waste USA (3) .....	Coventry, VT	354,760	2,000,000
SERF .....	Hampden, ME	261,487	2,606,500
NCES .....	Bethlehem, NH	154,383	1,500,000

- (1) Permittable capacity is available capacity which cannot be utilized until a necessary permit is obtained.
- (2) Operated pursuant to a capital lease expiring in 2021.
- (3) The Company leases the airspace above this landfill under a lease which expires in 2001 and contains an option to renew.

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

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

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

Clinton County. The Clinton County landfill, located in Schuyler Falls, New York, is leased by the Company from Clinton County, New York pursuant to a 25-year capital lease which expires in 2021. The Company estimates, based on current usage levels, that the Clinton County landfill has permitted air space capacity remaining for approximately ten years of disposal. By the fall of 1997, the Company expects to file applications with state and county regulatory officials seeking to further expand the permitted landfill capacity. The Company believes that its expansion request, if granted, will provide it with up to ten additional years of permitted airspace capacity. See "--Property and Equipment".

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

SERF. The SERF landfill is located in Hampden, Maine. The SERF landfill processes ash, special waste and front end processing residue (i.e., glass and other material segregated and disposed of separately from solid waste prior to incineration), for the Penobscot Energy Recovery Corporation's incinerator under a contract expiring in 2003. The Company estimates, based on current usage levels, that the SERF landfill has permitted air space capacity remaining for approximately three and one-half years of disposal. In late 1997, the Company expects to file an application for a permit to expand the capacity of the landfill in three phases. The Company believes that most elements of the first two of the three phases of its planned expansion are permissible under the grandfather provisions of local ordinances. Approval for the third phase of the Company's planned expansion will require the town of Hampden, Maine to amend a local ordinance. The Company may not succeed in its effort to amend

that ordinance.

NCES. The NCES landfill, located in Bethlehem, New Hampshire, serves the northern and central New Hampshire waste sheds and portions of the Maine and Vermont waste sheds. The Company estimates, based on current usage levels, that the NCES landfill has permitted airspace capacity remaining for approximately two and one-half years of disposal. In 1992, the town of Bethlehem adopted a zoning ordinance which precludes the "expansion of any existing landfills" which are not operated by the town. The Company is currently negotiating with the town for a change to the local zoning ordinance that would, subject to approval by town voters, allow the expansion of the Company's NCES landfill over the next 15 years. A similar proposed zoning ordinance change was defeated by town residents in March 1997, and it is not anticipated that another vote would take place until at least March 1998. There can be no assurance that the zoning ordinance changes will be approved by Bethlehem town voters. The Company has obtained the necessary state permit to expand its air space capacity, contingent on local approval. The Company believes that the proximity of the Waste USA landfill to the NCES landfill would enable the Company to redirect solid waste to the Waste USA landfill in the event that permitting takes longer than expected or if no expansion is allowed at NCES. If such redirection of solid waste is required, it may result in additional costs to the Company's operations.

The Company also owns and/or operated five unlined landfills, which are not currently in operation. Three of these landfills have been closed and environmentally capped by the Company, and a fourth is in the final stages of obtaining governmental closure design approval. The Company has applied for a construction and demolition waste disposal permit at one of these sites. The fifth unlined landfill, a municipal landfill which is adjacent to the Subtitle D Clinton County landfill being operated by the Company, was operated by the Company from July 1996 through July 1997. The Company has initiated closure and capping activities at this landfill, which it expects to complete by the end of the second quarter of fiscal 1998, and is indemnified by Clinton County for environmental liabilities arising from such landfill prior to the Company's operation. See "Risk Factors--Comprehensive Government Regulation" and--Potential Environmental Liability".

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

#### Solid Waste Collection

The Company's 22 solid waste collection operations served over 68,000 commercial, industrial and residential customers at July 31, 1997. In fiscal 1997, 65% of the volume collected by the Company's collection operations was disposed of at the Company's landfills. The Company's collection operations

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are generally conducted within a 125-mile radius of its landfills. A majority of the Company's commercial and industrial collection services are performed under one-to-three-year service agreements, and fees are determined by such factors as collection frequency, type of equipment and containers furnished, the type, volume and weight of the solid waste collected, the distance to the disposal or processing facility and the cost of disposal or processing. The Company's residential collection and disposal services are performed either on a subscription basis (i.e., with no underlying contract) with individuals, or under contracts with municipalities, homeowners associations, apartment owners or mobile home park operators. Revenues from collection operations accounted for approximately 64% of the Company's revenues in fiscal 1997. In fiscal 1997, no single collection customer individually accounted for more than 1% of the Company's revenues.

#### Transfer Station Services

The Company operated 31 transfer stations as of July 31, 1997, of which ten are owned by the Company and 21 are operated under three-to-ten year contracts with municipalities (except in the case of Clinton County, New York, where the contract is for 25 years). The transfer stations receive, compact and transfer solid waste collected primarily from the Company's various collection operations to larger Company-owned vehicles for transport to landfills. The Company believes that transfer stations benefit the Company by: (i) increasing the size of the waste shed which has access to the Company's landfills; (ii) reducing costs by improving utilization of collection personnel and equipment; and (iii) building relationships with municipalities that may lead to future business opportunities, including privatization of the municipality's waste management services. Revenues from transfer station services accounted for approximately 6% of the Company's revenues in fiscal 1997.

#### Recycling Services

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

The Company currently operates eight recycling processing facilities, located in Rutland, Burlington (two facilities), White River Junction and Montpelier, Vermont, Penn Yan and Schuyler Falls, New York and Hampden, Maine. The Company processes more than 20 classes of recyclable materials originating from the municipal solid waste stream, including cardboard, office paper, containers and bottles. The Company's recycling operations are concentrated principally in Vermont, as the public sector in other states in the Company's service area has taken primary responsibility for recycling efforts. As of June 30, 1997, the Company employed two commodity sales managers to develop end markets, and had 64 employees in the recycling facilities to support the processing of approximately 100,000 tons annually. Revenues from the collection, processing and sale of recyclable waste materials accounted for approximately 5% of the Company's revenues in fiscal 1997.

#### Waste Tire Processing and Other Services

The Company's waste tire processing facility, located in Eliot, Maine, has the capacity to process approximately 3.5 million tires per year and generates tire derived fuel, which the Company sells to paper mills for consumption as a supplemental energy source for boiler fuel. In June 1997, the Company was selected by the State of Maine to process an estimated 2.5 million tires over an 18-month period. The Company believes that its waste tire processing operation has benefitted from a favorable regulatory environment in Maine, where the state has mandated, and created financial incentives for, the cleanup of tire disposal centers, and from a strong market for tire derived fuel. Revenues from waste tire processing and other special services (consisting primarily of septic pumping and portable toilet services) accounted for approximately 4% of the Company's revenues in fiscal 1997.

#### Competition

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

The Company competes for collection and disposal volume primarily on the basis of the price and quality of its services. From time to time, competitors may reduce the price of their services in an effort to expand market share or to win a competitively bid municipal contract. These practices may also lead to reduced pricing for the Company's services or the loss of business.

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

#### Marketing and Sales

The Company has a coordinated marketing and sales strategy which is formulated at the corporate level and implemented at the divisional level. The Company markets its services locally through division managers and direct sales representatives who focus on commercial, industrial, municipal and residential customers. As of June 30, 1997, the Company had 21 division managers and 25 direct sales representatives. The Company also obtains new customers from referral sources, its general reputation and local market print advertising. Leads are also developed from new building permits, business licenses and other public records. Additionally, each division generally advertises in the yellow pages and other local business print media that cover its service area.

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

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

#### Property and Equipment

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

The Clinton County landfill is operated under a capital lease scheduled to expire in 2021. The Company is generally obligated under the lease to expand the landfill at its own cost, subject to market forces and demand. The Clinton County landfill is not permitted to receive waste from certain geographic regions in New York and has a permitted capacity of 125,000 tons per year. The tipping fee paid for waste

generated in Clinton County is fixed for 25 years subject to limited inflation increases during the term of the lease. During fiscal 1997, approximately 26% (by tonnage) of the solid waste disposed of at the Clinton County landfill was generated in Clinton County.

Under the lease, the Company is responsible for operating the landfill in compliance with all applicable environmental laws, including without limitation, possessing and complying with all necessary permits and licenses. The Company must indemnify the County for all liabilities resulting from any violations of those laws (exclusive of violations based on pre-existing conditions, which remain the responsibility of the County and with respect to which the County indemnifies the Company). In addition, the Company is responsible for the composition of waste deposited at the landfill during the lease term, regardless of the Company's knowledge or monitoring efforts. The lease gives the Company full physical and managerial control over an unlined

landfill on the site, which was operated by the Company from July 1996 through July 1997, while the lined landfill was under construction. Clinton County has agreed to indemnify the Company for environmental liabilities arising from the unlined landfill prior to its operation by the Company. The Company is responsible for the closure of the unlined landfill, and post-closure care is the responsibility of the County. The Company is also responsible for performing certain cleanup work with respect to the unlined landfill and has agreed to absorb the resulting costs subject to satisfactory construction of the lined portion. The Company is responsible for both closure and post-closure care with respect to the lined landfill upon exhaustion of the corresponding airspace. See "--Operations; Landfills; Clinton County".

The Company owns the Waste USA landfill and leases the permitted airspace capacity above the landfill under a lease which is scheduled to expire in 2001 and which is extendable for an additional six years. The lease payments are made quarterly in an amount equal to the greater of (a) the rate of \$3.75 per ton of all solid waste accepted at the landfill, as adjusted, or (b) \$33,000. In addition, the Company has been granted options: (i) to purchase all of the stock of the lessor for \$300,000; (ii) to purchase the leased airspace for \$300,000; or (iii) to extend the term of the lease for the remaining permitted life of the landfill operation for \$300,000. The Company may exercise the option at any time between May 23, 1998 and January 25, 2001.

Other than the landfills, the principal fixed assets used by the Company at June 30, 1997 in its solid waste collection and landfill operations include approximately 511 collection vehicles, 65 pieces of heavy equipment and 62 support vehicles. Transfer station operations include 31 transfer stations, 10 of which are owned and 21 of which are leased under agreements expiring between 1998 and 2021.

The Company utilizes eight recycling processing facilities in its service areas, of which six are owned and two are leased or operated under agreements expiring between 1999 and 2021.

The Company owns and operates a 46-acre tire processing facility located in Eliot, Maine, consisting of storage facilities, tire shredding machines and a scale and receiving area.

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

#### Employees

At July 31, 1997, the Company employed 891 full-time employees, including approximately 51 professionals or managers, approximately 769 employees involved in collection, transfer and disposal operations, and 71 sales, clerical, data processing or other administrative employees. None of the Company's employees are represented by unions. The employees of SDS of PA, Inc., located in Wellsboro, Pennsylvania, which the Company acquired in January 1997, recently rejected a measure to select a union to represent the employees in labor negotiations with management. The Company is aware of no other organizational efforts among its employees. Through a labor utilization agreement, the Company utilizes the services of Clinton County employees at the Clinton County landfill. The Clinton County employees are represented by a labor union. The Company believes that its relations with its employees are good.

#### Risk Management, Insurance and Performance or Surety Bonds

The Company does not maintain insurance policies with respect to its exposure for environmental liability. The Company actively maintains environmental and other risk management programs which it believes are appropriate for its business. The Company's environmental risk management program includes evaluating existing facilities, as well as potential

acquisitions, for environmental law compliance and operating procedures. The Company also maintains a worker safety program which encourages safe practices in the workplace. Operating practices at all Company operations stress minimizing the possibility of environmental contamination and litigation.

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

Municipal solid waste collection contracts and landfill closure obligations may require performance or surety bonds, letters of credit or other means of financial assurance to secure contractual performance. The Company has not experienced difficulty in obtaining performance or surety bonds or letters of credit for its current operations. Under the Company's credit facility, the Company has access to up to \$10.0 million in aggregate letters of credit. At July 31, 1997, performance or surety bonds, letters of credit and restricted cash of approximately \$9.6 million were outstanding in favor of customers and various regulatory authorities to secure the Company's obligations. If the Company were unable to obtain performance or surety bonds or letters of credit in sufficient amounts or at acceptable rates, it may be precluded from entering into additional municipal solid waste collection contracts or obtaining or retaining landfill operating permits. See "Risk Factors--Inability to Obtain Performance or Surety Bonds, Letters of Credit or Insurance".

## Regulation

### Introduction

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

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

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

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

RCRA regulates the generation, treatment, storage, handling, transportation and disposal of solid waste and requires states to develop programs to ensure the safe disposal of solid waste. RCRA divides solid waste into two groups, hazardous and nonhazardous. Wastes are generally classified as hazardous if they (i) either (a) are specifically included on a list of hazardous wastes, or (b) exhibit certain characteristics defined as hazardous; and (ii) are not specifically designated as nonhazardous. Wastes

classified as hazardous under RCRA are subject to much stricter regulation than

wastes classified as nonhazardous, and businesses that deal with hazardous waste are subject to regulatory obligations in addition to those imposed on handlers of nonhazardous waste.

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

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

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

In October 1991, the EPA adopted the Subtitle D Regulations governing solid waste landfills. The Subtitle D Regulations, which generally became effective in October 1993, include location restrictions, facility design standards, operating criteria, closure and post-closure requirements, financial assurance requirements, groundwater monitoring requirements, groundwater remediation standards and corrective action requirements. In addition, the Subtitle D Regulations require that new landfill sites meet more stringent liner design criteria (typically, composite soil and synthetic liners or two or more synthetic liners) intended to keep leachate out of groundwater and have extensive collection systems to carry away leachate for treatment prior to disposal. Groundwater monitoring wells must also be installed at virtually all landfills to monitor groundwater quality and, indirectly, the effectiveness of the leachate collection system. The Subtitle D Regulations also require, where certain regulatory thresholds are exceeded, that facility owners or operators control emissions of methane gas generated at landfills in a manner intended to protect human health and the environment. Each state is required to revise its landfill regulations to meet these requirements or such requirements will be automatically imposed by the EPA upon landfill owners and operators in that state. Each state is also required to adopt and implement a permit program or other appropriate system to ensure that landfills within the state comply with the Subtitle D Regulations criteria. Various states in which the Company operates or in which it may operate in the future have adopted regulations or programs as stringent as, or more stringent than, the Subtitle D Regulations.

The Federal Water Pollution Control Act of 1972

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

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

CERCLA established a regulatory and remedial program intended to provide for the investigation and cleanup of facilities where or from which a release of any hazardous substance into the environment has occurred or is threatened. CERCLA's primary mechanism for remedying such problems is to impose strict joint and several liability for cleanup of facilities on current owners and operators of the site, former owners and operators of the site at the time of the disposal of the hazardous substances, as well as the generators of the hazardous substances and the transporters who arranged for disposal or transportation of the hazardous substances. In addition, CERCLA also imposes liability for the cost of evaluating and remedying any damage done to natural resources. The costs of CERCLA investigation and cleanup can be very substantial. Liability under CERCLA does not depend upon the existence or disposal of "hazardous waste" as defined by RCRA, but can also be founded upon the existence of even very small amounts of the more than 700 "hazardous substances" listed by the EPA, many of which can be found in household waste. In addition, the definition of "hazardous substances" in CERCLA incorporates substances designated as hazardous or toxic under the federal Clean Water Act, Clear Air Act and Toxic Substances Control Act. If the Company were found to be a responsible party for a CERCLA cleanup, the enforcing agency could hold the Company, or any other generator, transporter or the owner or operator of the contaminated facility, responsible for all investigative and remedial costs even if others may also be liable. CERCLA also authorizes the imposition of a lien in favor of the United States upon all real property subject to, or affected by, a remedial action for all costs for which a party is liable. CERCLA provides a responsible party with the right to bring a contribution action against other responsible parties for their allocable shares of investigative and remedial costs. The Company's ability to get others to reimburse it for their allocable shares of such costs would be limited by the Company's ability to find other responsible parties and prove the extent of their responsibility and by the financial resources of such other parties.

The Clean Air Act

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

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

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

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

State and Local Regulations

Each state in which the Company now operates or may operate in the future has laws and regulations governing the generation, storage, treatment, handling, transportation and disposal of solid waste, water and air pollution and, in most cases, the siting, design, operation, maintenance, closure and

post-closure maintenance of landfills and transfer stations. In addition, many states have adopted statutes comparable

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to, and in some cases more stringent than, CERCLA. These statutes impose requirements for investigation and cleanup of contaminated sites and liability for costs and damages associated with such sites, and some provide for the imposition of liens on property owned by responsible parties. Some of those liens may take priority over previously filed instruments. Furthermore, many municipalities also have local ordinances, laws and regulations affecting Company operations. These include zoning and health measures that limit solid waste management activities to specified sites or conduct, flow control provisions that direct the delivery of solid wastes to specific facilities or to facilities in specific areas, laws that grant the right to establish franchises for collection services and then put out for bid the right to provide collection services, and bans or other restrictions on the movement of solid wastes into a municipality.

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

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

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

#### Legal Proceedings

In the normal course of its business and as a result of the extensive governmental regulation of the waste industry, the Company may periodically become subject to various judicial and administrative proceedings involving Federal, state or local agencies. In these proceedings, an agency may seek to impose fines on the Company or to revoke, or to deny renewal of, an operating permit held by the Company. In addition, the Company may become party to

various claims and suits pending for alleged damages to persons and property, alleged violation of certain laws and for alleged liabilities arising out of matters occurring during the normal operation of the waste management business. However, there is no current proceeding or litigation involving the Company that it believes will have a material adverse effect upon the Company's business, financial condition and results of operations.

MANAGEMENT

Executive Officers, Directors and Certain Key Employees

The executive officers, directors and certain key employees of the Company and their ages as of July 31, 1997 are as follows:

Name	Age	Position
Executive Officers and Directors		
John W. Casella (1)	46	President, Chief Executive Officer, Chairman of the Board of Directors and Secretary
Douglas R. Casella	41	Vice Chairman of the Board of Directors
James W. Bohlig	51	Senior Vice President and Chief Operating Officer, Director
Jerry S. Cifor	36	Vice President and Chief Financial Officer, Treasurer
John F. Chapple III (2)	56	Director
Michael F. Cronin (1)(2)	43	Director
Kenneth H. Mead	39	Director
Gregory B. Peters (1)(2)	51	Director
C. Andrew Russell (1)	55	Director
Other Key Employees		
Robert G. Banfield, Jr.	35	Vice President, Hauling Operations
Michael P. Barrett	43	Vice President, Transportation and Recycling
Christopher M. DesRoches	39	Vice President, Sales and Marketing
Joseph S. Fusco	33	Vice President, Communications
Michael Holmes	42	Regional Vice President
Larry B. Lackey	36	Vice President, Permits, Compliance and Engineering
Alan N. Sabino	37	Regional Vice President
Gary Simmons	47	Vice President, Fleet Management
Patrick J. Strauch	39	Regional Vice President
Michael J. Viani	42	Vice President, Business Development

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

John W. Casella has served as President, Chief Executive Officer and Chairman of the Board of Directors of the Company since 1993, and has been Chairman of the Board of Directors of Casella Waste Management, Inc. since 1977. Mr. Casella has actively supervised all aspects of Company operations since 1976, sets overall corporate policies, and serves as chief strategic planner of corporate development. Mr. Casella 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,

servicing in an advisory capacity to the Governor of Vermont on solid waste issues. Mr. Casella was an executive officer and director of Meridian Group, Inc. See "Certain Transactions" for a discussion of the Meridian bankruptcy. Mr. Casella holds an Associate of Science in Business Management from Bryant & Stratton University and a Bachelor of Science in Business Education from Castleton State College. Mr. Casella is the brother of Douglas R. Casella.

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

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

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

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

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

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

Gregory B. Peters has served as a director of the Company since 1993. Mr. Peters has been a General Partner of Vermont Venture Capital Partners, L.P., a venture capital fund, since April 1988, and a General Partner of North Atlantic Capital Partners, L.P., a venture capital fund, since July 1987. Since June 1986, Mr. Peters has served as Vice President and Treasurer of North Atlantic Capital Corporation, a venture capital management company. Mr. Peters is a graduate of Harvard College and holds an M.B.A. from the Harvard Graduate School of Business Administration.

C. Andrew Russell has served as a director of the Company since 1993. Since 1987, Mr. Russell has been Vice Chairman of Russell, Rea, Zappala & Gomulka Holdings, Inc. ("RRZ&G"), a Pittsburgh-based investment banking holding company founded by Mr. Russell. RRZ&G is the parent company of National Waste Industries, Inc. which specializes in the project development and financing of waste-related projects. Mr. Russell is a graduate of the University of Missouri.

Other Key Employees of the Company:

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

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

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

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

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

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

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

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

Patrick J. Strauch has served as Regional Vice President of the Company since January 1996. From 1993 to January 1996, Mr. Strauch was General Manager of the Transportation Division of Sawyer Environmental Services, which was acquired by the Company in January 1996. From January 1991 to August 1993, Mr. Strauch served as Bangor District Manager for Browning Ferris Industries and was responsible for the management of transportation and collection services. Mr. Strauch is a graduate of the University of Maine.

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

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

## Election of Directors

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

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

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

## Compensation of Directors

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

## Board Committees

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

## Executive Compensation

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

Summary Compensation Table

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

(1) Consists of life insurance premiums paid by the Company on behalf of the Named Executive Officer.

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

Stock Options

The following table contains information concerning the grant of options to purchase shares of the Company's Class A Common Stock to each of the Named Executive Officers of the Company during the fiscal year ended April 30, 1997:

Option Grants in Last Fiscal Year

	Number of Securities Underlying Options Granted	Percent of Total Options Granted To Employees in Fiscal Year	Exercise Price (\$/Share) (1)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Appreciation for Option Term(\$)(2)	
					5%	10%
John W. Casella, President, Chief Executive Officer and Chairman .....	10,000 (3)	2.4%	\$ 5.08	5/1/2001	\$ 14,035	\$ 31,014
	10,000 (4)	2.4%	\$12.50	2/1/2007	\$ 78,612	\$199,218
James W. Bohlig, Senior Vice President and Chief Operating Officer ...	15,000 (3)	3.6%	\$ 4.61	5/1/2006	\$ 43,488	\$110,207
	15,000 (4)	3.6%	\$12.50	2/1/2007	\$117,918	\$298,827
Jerry S. Cifor, Vice President and Chief Financial Officer ...	8,000 (3)	1.9%	\$ 4.61	5/1/2006	\$ 23,194	\$ 58,777
	8,000 (4)	1.9%	\$12.50	2/1/2007	\$ 62,889	\$159,374

- (1) All options were granted at or above fair market value as determined by the Board of Directors on the date of grant.
- (2) Amounts reported in these columns represent amounts that may be realized upon exercise of options immediately prior to the expiration of their term assuming the specified compounded rates of appreciation (5% and 10%) on the Company's Class A Common Stock over the term of the options. The potential realizable values set forth above do not take into account applicable tax and expense payments that may be associated with such option exercises. Actual realizable value, if any, will be dependent on the future price of the Class A Common Stock on the actual date of exercise, which may be earlier than the stated expiration date. The 5% and 10% assumed annualized rates of stock price appreciation over the exercise period of the options used in the table above are mandated by the rules of the Securities and Exchange Commission (the "Commission") and do not represent the Company's estimate or projection of the future price of the Class A Common Stock on any date. There

is no representation either express or implied that the stock price appreciation rates for the Class A Common Stock assumed for purposes of this table will actually be achieved.

- (3) Options vested immediately on date of grant.
- (4) Each option vests one-third immediately, one-third on the first anniversary of the grant date and one-third on the second anniversary of the grant date.

Fiscal Year-End Option Values

The following table sets forth information for each of the Named Executive Officers with respect to the value of options outstanding as of April 30, 1997. None of the Named Executive Officers exercised options in fiscal 1997.

Aggregated Fiscal Year-End Option Values

	Number of Securities Underlying Unexercised Options at April 30, 1997 (#)		Value of Unexercised In-The-Money Options at April 30, 1997 (\$) (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
John W. Casella, President, Chief Executive Officer and Chairman .....	148,334	6,666	\$2,080,869	\$23,331
James W. Bohlig, Senior Vice President and Chief Operating Officer .....	300,000	10,000	\$4,381,350	\$35,000
Jerry S. Cifor, Vice President and Chief Financial Officer .....	126,667	5,334	\$1,772,452	\$18,684

- (1) There was no public trading market for the Class A Common Stock as of April 30, 1997. Accordingly, as permitted by the rules of the Commission, these values have been calculated on the basis of the fair market value of the Company's Class A Common Stock as of April 30, 1997 of \$16.00 per share, as determined by the Board of Directors, less the aggregate exercise price.

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

In connection with the sale by the Company of its Series D Convertible Preferred Stock in December 1995, the Company entered into a Management Services Agreement with BCI Growth III, L.P., North Atlantic Venture Fund, L.P. and Vermont Venture Capital Fund, L.P., all of whom are stockholders of the Company. Under the Management Services Agreement, the Company agreed to pay a management fee of approximately \$22,300 per month in consideration of certain advisory services provided by such stockholders to the Company. Amounts due under the agreement are not payable until the occurrence of a liquidity event, including the closing of this Offering. As of July 31, 1997, the Company had accrued approximately \$427,000 related to such management fee. Gregory B. Peters, a director of the Company, is affiliated with North Atlantic Venture Fund, L.P. and The Vermont Venture Capital Fund, L.P.

The Company has from time to time engaged Casella Construction, Inc., a company owned by John and Douglas Casella, both executive officers, directors and significant stockholders of the Company, to provide construction services for the Company. In each of the fiscal years ended April 30, 1995, 1996 and 1997 and the three months ended July 31, 1997, the Company paid Casella Construction, Inc. \$339,138, \$1,236,435, \$2,155,618 and \$840,500, respectively. The Company has engaged Casella Construction, Inc. to close and cap the Clinton County unlined landfill. The amount to be paid to Casella Construction, Inc. for this project is expected to be \$2,465,000, of which \$497,000 and \$630,000 was paid in the fiscal year ended April 30, 1997 and the three months ended July 31, 1997, respectively. In addition, the Company expects to pay an additional \$1.6 million to Casella Construction, Inc. to close and cap a portion of the NCES landfill.

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In August 1993, the Company entered into three real estate leases with Casella Associates, a Vermont partnership owned by John and Douglas Casella, relating to facilities occupied by the Company. One of these leases was terminated in fiscal 1997, for which the Company paid Casella Associates \$191,869. The remaining leases, relating to the Company's Rutland and Montpelier, Vermont facilities, call for aggregate monthly payments of approximately \$18,000 and expire in April 2003. These leases have been classified by the Company as capital leases for financial reporting purposes. The lease agreements relating to the Rutland and Montpelier properties provide that if such agreements are terminated prior to their respective lease terms, either Casella Associates or the Company must pay to Albank, an amount which represents 41.9% and 42.9%, respectively, of the then outstanding principal balance (which on July 31, 1997 was \$968,864), on a term loan made by Albank to Casella Associates. In fiscal 1997, the Company purchased the land that is the site of the Company's current Middlebury, Vermont facility from Casella Associates for \$122,000. In addition, the Company leases furniture and fixtures from Casella Associates pursuant to an operating lease which bears rent at \$950 per month and expires in 1999. In each of the years ended April 30, 1995, 1996 and 1997 and the three months ended July 31, 1997, the Company paid Casella Associates an aggregate of \$266,255, \$263,400, \$558,380 and \$56,250, respectively.

The Company operated an unlined landfill located in Whitehall, New York owned by Bola, Inc., a corporation owned by John and Douglas Casella which operated as a single-purpose real estate holding company. The Company paid the cost of closing this landfill in 1992, and has agreed to pay all post-closure obligations. In each of the years ended April 30, 1995, 1996 and 1997, the Company paid \$11,758, \$14,502 and \$9,605, respectively, pursuant to this arrangement. The Company made no payments pursuant to this arrangement for the three months ended July 31, 1997. The Company has accrued \$107,791 for costs associated with its post-closure obligations. There can be no assurance that such accruals will be adequate to meet such obligations.

In connection with the settlement of certain litigation naming the Company, four of its subsidiaries, Messrs. James W. Bohlig and John W. and

Douglas R. Casella and one unrelated person as defendants, the Company has agreed to pay an aggregate of \$450,000 plus approximately \$200,000 in legal expenses incurred by the defendants. The lawsuit was brought derivatively in the name of Meridian Group, Inc. ("Meridian"), a Vermont corporation engaged in alternative energy project development which has been inactive since 1993, of which Messrs. Bohlig and John Casella were officers, directors and stockholders, as well as individually in the names of the plaintiffs, who were also stockholders of Meridian. In response to the lawsuit, in an effort to expedite adjudication, a majority of Meridian's directors, including Messrs. Bohlig and John Casella, voted to place Meridian into bankruptcy, and Meridian filed a petition under Chapter 7 of the Federal Bankruptcy Code ("Chapter 7"). The lawsuit was subsequently removed to the United States Bankruptcy Court for the District of Vermont. On July 14, 1997, the bankruptcy court approved the settlement. Messrs. John Casella and Bohlig were officers and directors of Meridian at the time Meridian filed the petition under Chapter 7.

## Benefit Plans

### 1997 Stock Incentive Plan

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

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

The 1997 Incentive Plan is administered by the Compensation Committee of the Board of Directors, provided that the Stock Plan Subcommittee will administer the issuance of awards to the Company's executive officers. The Committee has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 1997 Incentive Plan and to interpret the provisions of the 1997 Incentive Plan. The Compensation Committee selects the recipients of Awards and determines (i) the number of shares of Class A Common Stock covered by options and the dates upon which such options become exercisable; (ii) the exercise price of options (which may not be less than 100% of fair market value on the date of grant); (iii) the duration of options (which may not exceed ten years); and (iv) the number of shares of Class A Common Stock subject to any restricted stock or other stock-based Awards and the terms and conditions of such Awards, including conditions for repurchase, issue price and repurchase price. The Board of Directors is required to make appropriate adjustments in connection with the 1997 Incentive Plan and any outstanding Awards to reflect stock dividends, stock splits and certain other events. In the event of a merger, liquidation or other Acquisition Event (as defined in the 1997 Incentive Plan), outstanding Awards will be assumed unless the acquiring or succeeding corporation does not agree to assume such options, in which case the Board of Directors is authorized to provide for outstanding options to be substituted for, to accelerate the Awards to make them fully exercisable prior to consummation of the Acquisition Event or to provide for a cash-out of the value of any outstanding options. If any Award expires or is terminated, surrendered, canceled or forfeited, the unused shares of Common Stock covered by

such Award will again be available for grant under the 1997 Incentive Plan.

#### Other Stock Option Plans

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

As of July 31, 1997, options to purchase an aggregate of 1,377,635 shares of Class A Common Stock, with a weighted average exercise price of \$6.21 per share, were outstanding under the Terminated Plans.

#### Employee Stock Purchase Plan

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

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#### Non-Employee Director Stock Option Plan

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

401(k) Plan

Effective July 1996, the Company implemented a 401(k) Plan Savings and Retirement Plan (the "401(k) Plan"), a tax-qualified plan covering all of its employees who are at least 21 years of age and have completed six months of service with the Company. Each employee may elect to reduce his or her current compensation by up to 15%, subject to the statutory limit (a maximum of \$9,500 in calendar 1997) and have the amount of the reduction contributed to the 401(k) Plan. Subject to Board approval, the Company may contribute an additional amount to the 401(k) Plan, up to \$500 per individual per calendar year. Employees vest in Company contributions ratably over a three-year period.

#### CERTAIN TRANSACTIONS

In connection with the sale by the Company of its Series D Convertible Preferred Stock in December 1995, the Company entered into a Management Services Agreement with BCI Growth III, L.P., North Atlantic Venture Fund, L.P. and Vermont Venture Capital Fund, L.P., all of whom are stockholders of the Company. Under the Management Services Agreement, the Company agreed to pay a management fee of approximately \$22,300 per month in consideration of certain advisory services provided by such stockholders to the Company. Amounts due under the agreement are not payable until the occurrence of a liquidity event, including the closing of this Offering. As of July 31, 1997, the Company had accrued approximately \$427,000 related to such management fee. Gregory B. Peters, a director of the Company, is affiliated with North Atlantic Venture Fund, L.P. and The Vermont Venture Capital Fund, L.P.

The Company has from time to time engaged Casella Construction, Inc., a company owned by John and Douglas Casella, both executive officers, directors and significant stockholders of the Company, to provide construction services for the Company. In each of the three years ended April 30, 1995, 1996 and 1997 and the three months ended July 31, 1997, the Company paid Casella Construction, Inc. \$339,138, \$1,236,435, \$2,155,618 and \$840,500, respectively. The Company has engaged Casella Construction, Inc. to close and cap the Clinton County unlined landfill. The amount to be paid to Casella Construction, Inc. for this project is expected to be \$2,465,000, of which \$497,000 and \$630,000 was paid in the year ended April 30, 1997 and the three months ended July 31, 1997, respectively. In addition, the Company expects to pay an additional \$1.6 million to Casella Construction, Inc. to close and cap a portion of the NCES landfill.

In August 1993, the Company entered into three real estate leases with Casella Associates, a Vermont partnership owned by John and Douglas Casella, relating to facilities occupied by the Company. One of these leases was terminated in fiscal 1997, for which the Company paid Casella Associates \$191,869. The remaining leases, relating to the Company's Rutland and Montpelier, Vermont facilities, call for aggregate monthly payments of approximately \$18,000 and expire in April 2003. These leases have been classified by the Company as capital leases for financial reporting purposes. The lease agreements relating to the Rutland and Montpelier properties provide that if such agreements are terminated prior to their respective lease terms, either Casella Associates or the Company must pay to Albank an amount which represents 41.9% and 42.9%, respectively, of the then outstanding principal balance (which on July 31, 1997 was \$968,864), on a term loan made by Albank to Casella Associates. In fiscal 1997, the Company purchased the land that is the site of the Company's current Middlebury, Vermont facility from Casella Associates for \$122,000. In addition, the Company leases furniture and fixtures from Casella Associates pursuant to an operating lease which bears rent at \$950 per month and expires in 1999. In each of the three years ended April 30, 1995, 1996 and 1997 and the three months ended July 31, 1997, the Company paid Casella Associates an aggregate of \$266,255, \$263,400, \$558,380 and \$56,250, respectively.

The Company operated an unlined landfill located in Whitehall, New York owned by Bola, Inc., a corporation owned by John and Douglas Casella which operated as a single-purpose real estate holding company. The Company paid the cost of closing this landfill in 1992, and has agreed to pay all post-closure obligations. In each of the three years ended April 30, 1995, 1996 and 1997 and the three months ended July 31, 1997, the Company paid \$11,758, \$14,502, \$9,605 and \$0 pursuant to this arrangement. The Company has accrued \$107,791 for costs associated with its post-closure obligations. There can be no assurance that

such accruals will be adequate to meet such obligations.

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

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Bankruptcy Court for the District of Vermont. On July 14, 1997, the bankruptcy court approved the settlement. Messrs. John Casella and Bohlig were officers and directors of Meridian at the time Meridian filed the petition under Chapter 7.

In connection with and at the time of the Company's acquisition of the business of Catamount Waste Services, Inc., the Company entered into a lease in June 1994 with CV Landfill, Inc., a Vermont corporation affiliated with Catamount Waste Services, Inc., pursuant to which the Company agreed to lease a transfer station for a term of 10 years. CV Landfill, Inc. is owned by John F. Chapple III, who became a director of the Company at the time of the acquisition of the business of Catamount Waste Services, Inc. Pursuant to the lease agreement, the Company pays monthly rent for the first five years at a rate of \$5.00 per ton of waste disposed of at the transfer station, with a minimum rent of \$6,650 per month. Following the fifth anniversary of the lease agreement, the Company pays monthly rent at a rate of \$2.00 per ton, with a minimum rent of \$2,500 per month. In each of the three years ended April 30, 1995, 1996 and 1997 and the three months ended July 31, 1997, the Company paid CV Landfill, Inc. \$112,142, \$139,687, \$136,729 and \$21,933, respectively.

As part of the acquisition by the Company of the assets of Superior Disposal Service, Inc., Kerkim, Inc. and related companies in January 1997, the Company engaged Kenneth H. Mead, the sole stockholder of such companies, as a consultant for a five-year period ending in 2002. Upon such acquisition, Mr. Mead became a director of the Company. The consulting agreement, which also contains a non-competition covenant, provides that the Company will pay Mr. Mead (i) a fee for acquisitions of collection businesses made by the Company with Mr. Mead's active assistance within a defined geographic area, in an amount equal to one month's net revenue of any such acquired business; (ii) a fee of \$500,000 for the acquisition by the Company with Mr. Mead's active assistance of any enumerated landfill within a defined geographic area; and (iii) a fee, in consideration of Mr. Mead's non-competition covenant, of \$600,000 paid in installments of \$200,000 on each of the first and second anniversaries of the date of the agreement and \$100,000 on each of the third and fourth anniversaries. For the year ended April 30, 1997 and the three months ended July 31, 1997, the Company paid Mr. Mead an aggregate of \$231,000 and \$201,871, respectively, pursuant to this agreement.

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

Each of the transactions described above has been approved or ratified by a disinterested majority of the Board of Directors. However, those transactions between the Company and affiliates of John W. Casella and Douglas R. Casella were not negotiated, and accordingly the Company has no independent basis for concluding whether or not the terms of such transactions were as favorable as could have been negotiated with unaffiliated third parties.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Common Stock of the Company as of July 31, 1997, and as adjusted for the sale of the shares of Class A Common Stock offered hereby, by (i) each person or entity known to the Company to beneficially own more than five percent of the Company's Common Stock, (ii) each director and Named Executive Officer of the Company, (iii) all current directors and executive officers of the Company as a group, and (iv) each Selling Stockholder.

Name of Beneficial Owner(1)	Class A Common Stock				Class B Common Stock				Total Common Stock	
	Owned Prior to the Offering		To be Sold in the Offering		To be Owned After the Offering		Owned Prior to the Offering		To be Owned After the Offering	Voting Power After the Offering
	Number	%	Number	Number	%	Number	%	Number	%	%
John W. Casella(2)	726,833	10.6	--	726,833		500,000	50	500,000	50	
Douglas R. Casella(3)	726,833	10.6	--	726,833		500,000	50	500,000	50	
James W. Bohlig(4)	425,000	6.1	--	425,000		--	--	--	--	
Jerry S. Cifor(5)	126,667	1.9	--	126,667		--	--	--	--	
Gregory B. Peters (6)	516,620	7.7	129,088	387,532		--	--	--	--	
C. Andrew Russell(7)	350,547	5.2	87,591	262,956		--	--	--	--	
John F. Chapple III	294,191	4.4	--	294,191		--	--	--	--	
Kenneth H. Mead(8)	634,400	9.5	50,000	584,400		--	--	--	--	
Michael F. Cronin(9)	775,370	11.6	--	775,370		--	--	--	--	
BCI Growth III, L.P.(10)	1,635,795	24.4	384,160	1,251,635		--	--	--	--	
North Atlantic Venture Fund, L.P. and The Vermont Venture Capital Fund, L.P.(11)	516,620	7.7	129,088	387,532		--	--	--	--	
National Waste Industries, Inc. (12)	350,547	5.2	87,591	262,956		--	--	--	--	
Weston Presidio Capital II, L.P.(13)	775,370	11.6	--	775,370		--	--	--	--	
Norwest Equity Partners V(14)	818,227	12.2	204,451	613,776		--	--	--	--	
Directors and executive officers as a group (9 people)(15)	4,563,127	62.0	266,679	4,296,448		1,000,000	100	1,000,000	100	
Other Selling Stockholders										
Prudential Securities(16)	104,680	1.5	26,156	78,524	*	--	--	--	--	*
FSC Corp.	71,429	1.0	17,848	53,581	*	--	--	--	--	*
Thomas Shattan	5,714	*	1,428	4,286	*	--	--	--	--	*
Daniel C. Crane	10,000	*	2,499	7,501	*	--	--	--	--	*
Len Fosbrook	25,000	*	11,244	13,756	*	--	--	--	--	*
Steven Houghton	40,000	*	10,131	29,869	*	--	--	--	--	*
Richard Lindgren	40,547	*	10,000	30,547	*	--	--	--	--	*
Robert Lynch	40,547	*	3,500	37,047	*	--	--	--	--	*
Harry Ryan(17)	90,000	1.3	22,487	67,513	*	--	--	--	--	*
De Novo Trust	100,000	1.5	24,987	75,013	*	--	--	--	--	*

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\* Less than 1% of the outstanding Common Stock.

(1) Beneficial ownership is determined in accordance with rules of the Commission, and includes generally voting power and/or investment power with respect to securities. Shares of Common Stock subject to options and/or warrants currently exercisable or exercisable within 60 days of the date hereof ("Currently Exercisable Options") are deemed outstanding for

computing the percentage beneficially owned by the person holding such options but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as indicated by footnote, the Company believes that the persons named in this table, based on information provided

by such persons, have sole voting and investment power with respect to the shares of Common Stock indicated.

- (2) Includes 161,833 shares issuable pursuant to Currently Exercisable Options, including options for 85,000 shares which vest on the closing of this Offering. Also includes 4,800 shares of Class B Common Stock held in trust for the benefit of Mr. Casella's minor children. Mr. Casella disclaims beneficial ownership of such shares. Mr. Casella's address is c/o Casella Waste Systems, Inc., 25 Greens Hill Lane, Rutland, VT 05701.
- (3) Includes 161,833 shares issuable pursuant to Currently Exercisable Options, including options for 85,000 shares which vest on the closing of this Offering. Also includes 1,600 shares of Class B Common Stock held in trust for the benefit of Mr. Casella's minor children. Mr. Casella disclaims beneficial ownership of such shares. Mr. Casella's address is c/o Casella Waste Systems, Inc., 25 Greens Hill Lane, Rutland, VT 05701.
- (4) Includes 300,000 shares issuable pursuant to Currently Exercisable Options, including options for 85,000 shares which vest on the closing of this Offering. Mr. Bohlig's address is c/o Casella Waste Systems, Inc., 25 Greens Hill Lane, Rutland, VT 05701.
- (5) Includes 93,333 shares issuable pursuant to Currently Exercisable Options, including options for 56,000 shares which vest on the closing of this Offering.
- (6) Consists of 516,620 shares held by North Atlantic Venture Fund, L.P., of which Mr. Peters is a General Partner and The Vermont Venture Capital Fund, L.P., of which Mr. Peters is the Managing General Partner. Mr. Peters disclaims beneficial ownership of such shares except to the extent of his pecuniary interest in such firms.
- (7) Consists of 350,547 shares held by National Waste Industries, Inc., a company that is wholly-owned by RRZ&G, of which Mr. Russell is Vice Chairman. Mr. Russell disclaims beneficial ownership of such shares except to the extent of his pecuniary interest in such company. Mr. Russell's address is c/o National Waste Industries, Inc., CNG Tower, Suite 3100, 625 Liberty Avenue, Pittsburgh, PA 15222.
- (8) Consists of 570,960 shares held by Mr. Mead at July 31, 1997, 63,440 shares that the Company is required to issue Mr. Mead after the closing of the Offering, subject to adjustment pursuant to certain indemnification obligations of Mr. Mead to the Company, and                      shares that the Company is required to issue to Mr. Mead upon completion of the Offering (assuming an initial public offering price of \$                      per share). Mr. Mead's address is 1669 N.W. Loop, Ocala, FL 34475.
- (9) Consists of 775,370 shares held by Weston Presidio Capital II, L.P., of which Mr. Cronin is a General Partner. Mr. Cronin disclaims beneficial ownership of such shares except to the extent of his pecuniary interest in such firm. Mr. Cronin's address is c/o Weston Presidio Capital II, L.P., One Federal Street, Boston, MA 02110.
- (10) The address of BCI Growth III, LP is Glenpointe Centre West, Teaneck, NJ 07666
- (11) The address of North Atlantic Venture Fund L.P. is 70 Center Street, Portland, ME 04140, and the address of The Vermont Venture Capital Fund, L.P. is Corporate Plaza, Suite 600, 76 St. Paul Street, Burlington, VT 05401.

- (12) The address of National Waste Industries, Inc. is CNG Tower, Suite 3100, 625 Liberty Avenue, Pittsburgh, PA 15222.
- (13) The address of Weston Presidio Capital II, L.P. is One Federal Street, Boston, MA 02110.
- (14) The address of Norwest Equity Partners V is 40 William Street, Suite 305, Wellesley, MA 02181.
- (15) Includes 716,999 shares issuable pursuant to Currently Exercisable Options, including options for 311,000 shares which vest on the closing of this Offering.
- (16) Includes 78,524 shares issuable pursuant to Currently Exercisable Options.
- (17) Includes 12,000 shares held in trust for the benefit of Mr. Ryan's children. Mr. Ryan disclaims beneficial ownership of such shares.

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#### DESCRIPTION OF CAPITAL STOCK

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

#### Authorized, Issued and Outstanding Capital Stock

Effective upon the filing of the Restated Certificate of Incorporation, the authorized capital stock of the Company will consist of 30,000,000 shares of Class A Common Stock, \$0.01 par value, 1,000,000 shares of Class B Common Stock, \$0.01 par value, and 1,000,000 shares of Preferred Stock, \$0.01 par value. As of July 31, 1997, there were 6,699,015 shares of Class A Common Stock issued and outstanding and held of record by 31 stockholders and 1,000,000 shares of Class B Common Stock issued and outstanding and held of record by 10 stockholders.

#### Common Stock

The shares of Class A Common Stock and Class B Common Stock are identical in all respects, except for voting rights and certain conversion rights and transfer restrictions in respect of the shares of the Class B Common Stock, as described below. The number of authorized shares of any class or classes of capital stock of the Company may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the stock of the Company entitled to vote generally in the election of directors irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware (the "Delaware Law") or any corresponding provision hereinafter enacted.

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

**Dividends.** Holders of Class A Common Stock and Class B Common Stock are entitled to receive dividends at the same rate if, as and when such dividends are declared by the Board out of assets legally available therefor after

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

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corporation which is a wholly owned subsidiary of the Company, the respective voting rights of each such security issued to holders of Class A Common Stock and Class B Common Stock with respect to elections of directors shall otherwise be as comparable as is practicable to those of the Class A Common Stock and Class B Common Stock, respectively. In the case of dividends or other distributions consisting of securities convertible into, or exchangeable for, voting securities of the Company or of voting securities of any corporation which is a wholly owned subsidiary of the Company, the Company shall provide that such convertible or exchangeable securities and the underlying securities be identical in all respects (including, without limitation, the conversion or exchange rate) except that the underlying securities may have the same differences as they would have if the Company issued voting securities of the Company or of a wholly owned subsidiary rather than issuing securities convertible into, or exchangeable for, such securities.

Restrictions on Additional Issuances And Transfer. The Company may not issue or sell any shares of Class B Common Stock or any securities (including, without limitation, any rights, options, warrants or other securities) convertible into, or exchangeable or exercisable for, shares of Class B Common Stock to any person who is not a Class B Permitted Holder. Additionally, shares of Class B Common Stock may not be transferred, whether by sale, assignment, gift, bequest, appointment or otherwise, to a person other than a Class B Permitted Holder. Notwithstanding the foregoing, (i) any Class B Permitted Holder may pledge his, her or its shares of Class B Common Stock to a financial institution pursuant to a bona fide pledge of such shares as collateral security for indebtedness due to the pledgee provided that such shares remain subject to the transfer restrictions and that, in the event of foreclosure or other similar action by the pledgee, such pledged shares of Class B Common Stock may only be transferred to a Class B Permitted Holder or converted into shares of Class A Common Stock, as the pledgee may elect; and (ii) the foregoing transfer restrictions shall not apply in the case of a merger, consolidation or business combination of the Company with or into another corporation in which all of the outstanding shares of Common Stock and Preferred Stock of the Company regardless of class are purchased by the acquiror.

Conversion. Class A Common Stock has no conversion rights. Shares of Class B Common Stock are convertible into Class A Common Stock, in whole or in part, at any time and from time to time at the option of the holder, on the basis of one share of Class A Common Stock for each share of Class B Common Stock converted. Each share of Class B Common Stock will also automatically convert into one share of Class A Common Stock if, on the record date for any meeting

of the stockholders of the Company, the number of shares of Common Stock held by the Class B Permitted Holders is less than 10% of the aggregate number of shares of Common Stock outstanding immediately upon the consummation of this Offering (            shares, subject to appropriate adjustment for stock splits, reverse stock splits, stock dividends and similar transactions). Additionally, at such time as a person ceases to be a Class B Permitted Holder, any share of Class B Common Stock held by such person at such time shall automatically convert into a share of Class A Common Stock. The Company covenants that (i) it will at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, such number of shares of Class A Common Stock issuable upon the conversion of all outstanding shares of Class B Common Stock; (ii) it will cause any shares of Class A Common Stock issuable upon conversion of a share of Class B Common Stock that require registration with or approval of any governmental authority under federal or state law before such shares may be issued upon conversion to be so registered or approved; and (iii) it will use its best efforts to list the shares of Class A Common Stock required to be delivered upon conversion prior to such delivery upon such national securities exchange upon which the outstanding Class A Common Stock is listed at the time of such delivery.

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

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be entitled to receive the dividend or other distribution payable on such date regardless of the conversion thereof or the Company's default in payment of the dividend due on such date.

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

Liquidation. In the event of liquidation of the Company, after payment of the debts and other liabilities of the Company and after making provision for the holders of Preferred Stock, if any, the remaining assets of the Company will be distributable ratably among the holders of the Class A Common Stock and Class B Common Stock treated as a single class.

Other Provisions. The holders of the Class A Common Stock and Class B Common Stock are not entitled to preemptive rights. None of the Class A Common Stock or Class B Common Stock may be subdivided or combined in any manner unless the other classes are subdivided or combined in the same proportion. The Company may not make any offering of options, rights or warrants to subscribe for shares of Class B Common Stock. If the Company makes an offering of

options, rights or warrants to subscribe for shares of any other class or classes of capital stock (other than Class B Common Stock) to all holders of a class of Common Stock, then the Company is required to simultaneously make an identical offering to all holders of the other classes of Common Stock other than to any class the holders of which, voting as a separate class, agrees that such offering need not be made to such class. All such options, rights or warrants offerings shall offer the respective holders of Class A Common Stock and Class B Common Stock the right to subscribe at the same rate per share.

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

#### Preferred Stock

The Board of Directors is authorized, subject to any limitations prescribed by law, without stockholder approval, to issue up to 1,000,000 shares of Preferred Stock in one or more series. Each such series of Preferred Stock shall have such rights, preferences, privileges and restrictions, including voting rights,

dividend rights, exchange rights, conversion rights, redemption privileges and liquidation preferences, as shall be determined by the Board of Directors. The rights of the holders of shares of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any shares of Preferred Stock that may be issued in the future. Preferred Stock may, at the discretion of the Board of Directors, be entitled to preference over the Common Stock with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding up. Additionally, the issuance of shares of Preferred Stock could also decrease the amount of earnings and assets available for distribution to the holders of the Common Stock. If any cumulative dividends or amounts payable on a return of capital are not paid in full, shares of Preferred Stock of all issued series would participate ratably in accordance with the amounts that would be payable on such shares if all such dividends were declared and paid in full or the sums which would be payable on such shares on the return of capital if all amounts so payable were paid in full, as the case may be.

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

## Delaware Law and Certain Charter and By-Law Provisions

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

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

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

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

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

## Transfer Agent and Registrar

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

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Upon completion of this Offering, the Company will have \_\_\_\_\_ shares of Common Stock outstanding (including 1,000,000 shares of Class B Common Stock), assuming no exercise of the Underwriters' over-allotment option and no exercise of outstanding options or warrants other than warrants to purchase 91,202 shares of Class A Common Stock to be exercised after July 31, 1997 and immediately prior to the closing of this Offering by certain Selling Stockholders. Of the shares of Common Stock outstanding upon completion of this Offering, all of the \_\_\_\_\_ shares of Class A Common Stock sold in this Offering will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by "affiliates" of the Company, as that term is defined under the Securities Act and the regulations promulgated thereunder (an "Affiliate").

The executive officers, directors and stockholders of the Company (holding an aggregate of 7,699,015 shares of Common Stock) have agreed that, for a period of 180 days after the date of this Prospectus, they will not sell, consent to sell or otherwise dispose of any Common Stock, any options to purchase Common Stock or any securities convertible into or exchangeable for Common Stock, owned directly by such persons or with respect to which they have the power of disposition, without the prior written consent of the representatives of the Underwriters (the "Lock-Up Agreements"). Upon expiration of the Lock-Up Agreements, approximately 7,635,575 additional shares of Common Stock will be available for sale in the public market, subject to the provisions of Rule 144 or Rule 701 under the Securities Act. The remaining 63,440 shares will be eligible for sale thereafter upon expiration of their respective holding periods under Rule 144.

In general, under Rule 144 as currently in effect, beginning 90 days after the effective date of the Registration Statement of which this Prospectus is a part, a stockholder, including an Affiliate, who has beneficially owned his or her restricted securities (as that term is defined in Rule 144) for at least one year from the later of the date such securities were acquired from the Company or (if applicable) the date they were acquired from an Affiliate, is entitled to sell, within any three-month period, a number of such shares that does not exceed the greater of 1% of the then outstanding Common Stock (approximately \_\_\_\_\_ shares immediately after this Offering) or the average weekly trading volume in the Common Stock during the four calendar weeks preceding the date on which notice of such sale was filed under Rule 144, provided certain requirements concerning availability of public information, manner of sale and notice of sale are satisfied. In addition, under Rule 144(k), if a period of at least two years has elapsed between the later of the date restricted securities were acquired from the Company or (if applicable) the date they were acquired from an Affiliate of the Company, a stockholder who is not an Affiliate of the Company at the time of sale and has not been an Affiliate of the Company for at least three months prior to the sale is entitled to sell the Stock immediately without compliance with the foregoing requirements under Rule 144.

Securities issued in reliance on Rule 701 (such as shares of Common Stock that may be acquired pursuant to the exercise of certain options granted under the Company's stock option plans) are restricted securities and, beginning 90 days after the effective date of the Registration Statement of which this Prospectus is a part, may be sold by stockholders other than Affiliates of the Company subject only to the manner of sale provisions of Rule 144 and by Affiliates under Rule 144 without compliance with its one-year holding period requirement.

#### Options and Warrants

As of July 31, 1997, options and warrants to purchase 1,667,541 shares of Common Stock were outstanding (not including shares to be sold by Selling Stockholders in this Offering issued upon the exercise of options or warrants outstanding as of July 31, 1997), of which 1,313,426 shares were vested as of the date of this Prospectus. Of these shares of Common Stock, 1,313,426 shares are subject to Lock-Up Agreements.

The Company intends to file one or more registration statements on Form S-8 under the Securities Act to register the shares of Class A Common Stock subject to outstanding stock options and Class A Common Stock issuable pursuant to the Company's stock option and purchase plans. Such registration statements would become effective upon the filing thereof. Stock covered by these registration statements

will thereupon be eligible for sale in the public markets, subject to the Rule 144 limitations applicable to Affiliates and lock-up agreements.

#### Effect of Sales of Stock

Prior to this Offering, there has been no public market for the Common Stock of the Company, and no prediction can be made as to the effect, if any, that market sales of Common Stock or the availability of shares for sale will have on the market price of the Common Stock prevailing from time to time. Nevertheless, sales of significant numbers of Common Stock in the public market could adversely affect the market price of the Common Stock and could impair the Company's future ability to raise capital through an offering of its equity securities.

#### Registration Rights

Following this Offering, the holders (the "Holders") of approximately 4,316,537 shares of the Company's Class A Common Stock (including shares of Common Stock issuable upon the exercise of outstanding warrants and vested options), or their assignees (collectively, the "Registrable Securities"), will be entitled to certain rights with respect to the registration of such shares under the Securities Act. Under the terms of an agreement between the Company and the Holders, in the event the Company intends to register any of its securities under the Securities Act, the Holders shall be entitled to include Registrable Securities in such registration. However, the managing underwriter of any such offering may, under certain circumstances, exclude some or all of such Registrable Securities from such registration. The Holders also are entitled, subject to certain conditions and limitations, to demand the Company to register some or all of their Registrable Securities under the Securities Act, provided that such demand may be made no earlier than 180 days after this Offering, nor more than twice in the aggregate. The Company generally is required to bear the expenses of all such registrations, except underwriting discounts and commissions. If the Holders, by exercising their demand registration rights, cause a large number of securities to be registered and sold in the public market, such sales could have an adverse effect on the market price of the Company's Class A Common Stock. Moreover, if the Company were to include in a Company-initiated registration shares held by the Holders pursuant to exercise of their piggyback registration rights, such sales may have an adverse effect on the Company's ability to raise additional equity capital.

#### LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for the Company by Hale and Dorr LLP, Boston, Massachusetts, and for the Underwriters by Morrison Cohen Singer & Weinstein, LLP, New York, New York.

#### EXPERTS

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

#### ADDITIONAL INFORMATION

The Company has filed with the Commission a Registration Statement (which term shall include all amendments, exhibits, schedules and supplements thereto) on Form S-1 under the Securities Act with respect to the Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission, to which Registration Statement reference is hereby made. Statements made in this Prospectus as to the contents

of any contract, agreement or other document referred to are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference. The Registration Statement and the exhibits

thereto may be inspected and copied at prescribed rates at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the Commission located at Seven World Trade Center, 13th Floor, New York, New York 10048 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, upon payment of certain fees prescribed by the Commission. The Commission also maintains a World Wide Web site which provides online access to reports, proxy and information statements and other information regarding registrants that file electronically with the Commission at the address "http://www.sec.gov."

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF APRIL 30, 1996, APRIL 30, 1997 AND JULY 31, 1997

TOGETHER WITH AUDITORS' REPORT

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Casella Waste Systems, Inc. (a Delaware corporation) and subsidiaries as of April 30, 1996 and 1997 and July 31, 1997, and the related consolidated statements of operations, redeemable preferred stock, redeemable put warrants and stockholders' equity (deficit) and cash flows for each of the three years ended April 30, 1997 and the three months ended July 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casella Waste Systems, Inc. and subsidiaries as of April 30, 1996 and 1997 and July 31, 1997, and the results of their operations and their cash flows for each of the three years ended April 30, 1997 and the three months ended July 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Boston, Massachusetts

September 5, 1997

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	April 30,		July 31,	
	1996	1997	1997	Pro Forma 1997
	(Unaudited)			
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 474,587	\$ 1,414,542	\$ 1,955,499	\$ 1,955,499
Restricted funds--closure fund escrow	186,864	1,532,295	1,486,204	1,486,204
Accounts receivable--trade, less allowance for doubtful accounts of approximately \$353,000, \$710,000 and \$684,000	6,442,874	12,935,881	15,133,404	15,133,404
Refundable income taxes	258,114	447,184	--	--
Prepaid expenses	663,197	878,757	1,013,117	1,013,117
Prepaid income taxes	275,812	542,647	542,647	542,647
Other current assets	312,817	722,141	483,626	483,626
Total current assets	8,614,265	18,473,447	20,614,497	20,614,497
Property and equipment, at cost:				
Land and land held for investment	2,122,225	3,093,501	3,170,269	3,170,269
Landfills	20,245,181	30,793,067	31,252,075	31,252,075
Landfill development	346,485	1,331,888	1,695,266	1,695,266
Buildings and improvements	4,848,534	11,005,765	11,487,446	11,487,446
Machinery and equipment	6,440,981	10,071,416	10,876,516	10,876,516
Rolling stock	12,972,343	20,324,922	23,640,821	23,640,821
Containers	6,080,455	10,469,802	11,227,032	11,227,032
	53,056,204	87,090,361	93,349,425	93,349,425
Less--accumulated depreciation and amortization	16,153,365	22,273,077	25,776,037	25,776,037
Property and equipment, net	36,902,839	64,817,284	67,573,388	67,573,388
Other assets:				
Intangible assets, net	11,536,656	45,968,549	50,018,876	50,018,876
Restricted funds--closure fund escrow	3,604,644	3,334,686	3,080,846	3,080,846
Other assets	590,040	779,110	1,280,512	1,280,512
	15,731,340	50,082,345	54,380,234	54,380,234
	\$61,248,444	\$133,373,076	\$142,568,119	\$142,568,119

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

## CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(Continued)

	April 30,	
	1996	1997
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current maturities of long-term debt	\$ 4,799,134	\$ 5,584,415
Current maturities of capital lease obligations	409,488	391,709
Accounts payable	3,178,634	8,174,311
Accrued payroll and related expenses	616,203	1,221,861
Accrued closure and postclosure costs, current portion	45,998	3,417,269
Deferred revenue	443,131	1,729,405
Income taxes payable	--	--
Other accrued expenses	995,899	2,583,702
Total current liabilities	10,488,487	23,102,672
Long-term debt, less current maturities	19,732,652	70,508,900
Capital lease obligations, less current maturities	1,913,384	1,373,177
Deferred income taxes	1,216,129	1,598,598
Accrued closure and postclosure costs, less current portion	5,225,191	4,909,983
Other long-term liabilities	519,427	364,456
Commitments and contingencies (Note 6)		
Redeemable preferred stock:		
Series A Redeemable with warrants exercisable for Class A Common Stock, \$.01 par value (stated at redemption value)-- authorized--616,620 shares issued and outstanding--516,620 shares (no shares pro forma)	2,376,452	3,638,481
Series B Redeemable with warrants exercisable for Class A Common Stock, \$.01 par value (stated at redemption value)--authorized--1,402,461 shares issued and outstanding--1,294,579 shares (no shares pro forma)	5,955,063	9,117,535
Series C Mandatorily Redeemable, \$.01 par value (\$7.00 redemption value)-- authorized--1,000,000 shares issued and outstanding--424,307 shares (424,307 shares pro forma)	2,016,872	2,221,146
Series D Convertible Redeemable, \$.01 par value (stated at redemption value)-- authorized--1,922,169 shares issued and outstanding--1,922,169 shares (no shares pro forma)	12,547,260	16,448,854
Redeemable put warrants to purchase 100,000 Shares of Class A Common Stock (100,000 warrants pro forma)	400,000	400,000
Total redeemable preferred stock and redeemable put warrants	23,295,647	31,826,016
Stockholders' equity (deficit):		
Class A Common Stock-- authorized--10,000,000 shares, \$.01 par value issued and outstanding--2,099,191, 2,854,445 and 2,874,445 shares (6,607,813 shares pro forma)	20,992	28,544
Class B Common Stock-- authorized--1,000,000 shares, \$.01 par value; 10 votes per share issued and outstanding--1,000,000 shares (1,000,000 shares pro forma)	10,000	10,000

Additional paid-in capital .....	615,567	9,981,917
Accumulated deficit .....	(1,789,032)	(10,331,187)
	-----	-----
Total stockholders' equity (deficit) .....	(1,142,473)	(310,726)
	-----	-----
	\$ 61,248,444	\$ 133,373,076
	=====	=====

July 31,

	-----	-----
	1997	Pro Forma 1997
	-----	-----
		(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:

Current maturities of long-term debt .....	\$ 3,857,534	\$ 3,857,534
Current maturities of capital lease obligations .....	437,475	437,475
Accounts payable .....	9,401,186	9,401,186
Accrued payroll and related expenses .....	604,789	604,789
Accrued closure and postclosure costs, current portion .....	2,461,196	2,461,196
Deferred revenue .....	2,061,561	2,061,561
Income taxes payable .....	260,134	260,134
Other accrued expenses .....	2,102,198	2,102,198
	-----	-----

Total current liabilities .....	21,186,073	21,186,073
	-----	-----

Long-term debt, less current maturities .....	80,383,547	80,383,547
	-----	-----

Capital lease obligations, less current maturities .....	1,229,606	1,229,606
	-----	-----

Deferred income taxes .....	1,598,598	1,598,598
	-----	-----

Accrued closure and postclosure costs, less current portion ...	5,248,022	5,248,022
	-----	-----

Other long-term liabilities .....	505,284	505,284
	-----	-----

Commitments and contingencies (Note 6)

Redeemable preferred stock:

Series A Redeemable with warrants exercisable for Class A Common Stock, \$.01 par value (stated at redemption value)-- authorized--616,620 shares issued and outstanding--516,620 shares (no shares pro forma) .....	3,953,988	--
Series B Redeemable with warrants exercisable for Class A Common Stock, \$.01 par value (stated at redemption value)--authorized--1,402,461 shares issued and outstanding--1,294,579 shares (no shares pro forma) .....	9,908,153	--
Series C Mandatorily Redeemable, \$.01 par value (\$7.00 redemption value)-- authorized--1,000,000 shares issued and outstanding--424,307 shares (424,307 shares pro forma) .....	2,272,214	2,970,149
Series D Convertible Redeemable, \$.01 par value (stated at redemption value)-- authorized--1,922,169 shares issued and outstanding--1,922,169 shares (no shares pro forma) .....	17,406,566	--
Redeemable put warrants to purchase 100,000 Shares of Class A Common Stock (100,000 warrants pro forma) .....	400,000	700,000
	-----	-----
Total redeemable preferred stock and redeemable put warrants .....	33,940,921	3,670,149
	-----	-----

Stockholders' equity (deficit):

Class A Common Stock-- authorized--10,000,000 shares, \$.01 par value issued and outstanding--2,099,191, 2,854,445 and 2,874,445 shares (6,607,813 shares pro forma) .....	28,744	66,078
Class B Common Stock-- authorized--1,000,000 shares, \$.01 par value; 10 votes per share issued and outstanding--1,000,000 shares (1,000,000 shares pro forma) .....	10,000	10,000
Additional paid-in capital .....	9,993,717	41,225,090
Accumulated deficit .....	(11,556,393)	(12,554,328)
	-----	-----

Total stockholders' equity (deficit) .....	(1,523,932)	28,746,840
	-----	-----
	\$ 142,568,119	\$ 142,568,119
	=====	=====

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

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

	Fiscal Year Ended April 30,			Pro Forma As Adjusted 1997 (Unaudited)
	1995	1996	1997	
Revenues .....	\$20,873,075	\$38,109,453	\$73,175,843	\$
Operating expenses:				
Cost of operations .....	11,615,003	21,654,419	43,503,806	
General and administrative .....	2,456,010	6,302,434	11,339,830	
Depreciation and amortization .....	4,511,494	7,642,939	13,053,209	
	18,582,507	35,599,792	67,896,845	
Operating income .....	2,290,568	2,509,661	5,278,998	
Other (income) expenses:				
Interest income .....	(267,056)	(195,632)	(252,120)	
Interest expense .....	1,980,112	2,587,916	4,159,738	
Other expense (income), net .....	55,420	(78,491)	931,214	
	1,768,476	2,313,793	4,838,832	
Income before provision for income taxes and extraordinary items .....	522,092	195,868	440,166	
Provision for income taxes .....	220,017	143,427	451,952	
Income (loss) before extraordinary loss .....	302,075	52,441	(11,786)	
Extraordinary items from extinguishment of debt (net of \$168,098 income tax benefit) (Note 7) .....	--	326,308	--	--
Net income (loss) .....	\$ 302,075	\$ (273,867)	\$ (11,786)	
Accretion of Series C Preferred Stock and put warrants .....	--	(65,060)	(204,274)	--
Net income (loss) applicable to common stockholders .....	\$ 302,075	\$ (338,927)	\$ (216,060)	
Pro forma (unaudited)				
Accretion of Series C Preferred Stock to its redemption value and put warrants to its call value .....			--	--
Net income (loss) applicable to common stockholders .....			\$ (216,060)	
Net income (loss) per share of common stock .....			\$ (0.03)	
Weighted average common stock and common stock equivalent shares outstanding .....			7,408,132	

	Three Months Ended July 31,		Pro Forma As Adjusted 1997 (Unaudited)
	1996	1997	
Revenues .....	\$15,216,819	\$26,429,475	\$
Operating expenses:			
Cost of operations .....	8,716,729	15,662,123	
General and administrative .....	2,302,368	3,679,632	

Depreciation and amortization .....	3,006,526	3,851,585	
	14,025,623	23,193,340	
Operating income .....	1,191,196	3,236,135	
Other (income) expenses:			
Interest income .....	(41,611)	(48,383)	
Interest expense .....	720,261	1,682,707	
Other expense (income), net .....	(21,452)	(15,206)	
	657,198	1,619,118	
Income before provision for income taxes and extraordinary items .....	533,998	1,617,017	
Provision for income taxes .....	507,565	727,318	
Income (loss) before extraordinary loss .....	26,433	889,699	
Extraordinary items from extinguishment of debt (net of \$168,098 income tax benefit) (Note 7) .....	--	--	--
Net income (loss) .....	\$ 26,433	\$ 889,699	
Accretion of Series C Preferred Stock and put warrants .....	(52,000)	(51,068)	--
Net income (loss) applicable to common stockholders .....	(25,567)	\$ 838,631	\$
Pro forma (unaudited)			
Accretion of Series C Preferred Stock to its redemption value and put warrants to its call value .....		(997,935)	--
Net income (loss) applicable to common stockholders .....		\$ (159,304)	\$
Net income (loss) per share of common stock .....		\$ (0.02)	\$
Weighted average common stock and common stock equivalent shares outstanding .....		7,743,159	

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

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

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

	Redeemable Preferred Stock			
	Series A Redeemable with Warrants Exercisable for Class A Common Stock		Series B Redeemable with Warrants Exercisable for Class A Common Stock	
	Number of Shares	Liquidation Value	Number of Shares	Liquidation Value
Balance, April 30, 1994	--	\$ --	--	\$ --
Issuance of Class A Common Stock and warrants .....	--	--	--	--
Accretion of put warrants .....	--	--	--	--
Net income .....	--	--	--	--
Balance April 30, 1995	--	--	--	--
Issuance of preferred stock and other capital transactions .....	516,620	2,376,452	1,294,579	5,955,063

Issuance costs .....	--	--	--	--
Accretion of preferred stock .....	--	--	--	--
Net loss .....	--	--	--	--
Balance, April 30, 1996	516,620	2,376,452	1,294,579	5,955,063
Issuance of Class A Common Stock in various acquisitions .....	--	--	--	--
Accretion of preferred stock and warrants .....	--	1,262,029	--	3,162,472
Net loss .....	--	--	--	--
Balance April 30, 1997	516,620	3,638,481	1,294,579	9,117,535
Issuance of Class A Common Stock .....	--	--	--	--
Accretion of preferred stock and issuance costs .....	--	315,507	--	790,618
Net income .....	--	--	--	--
Balance, July 31, 1997 .....	516,620	3,953,988	1,294,579	9,908,153
Pro forma adjustments (unaudited) (see Note 2(k)) .....	(516,620)	(3,953,988)	(1,294,579)	(9,908,153)
Pro Forma Balance, July 31, 1997 (unaudited) .....	--	\$ --	--	\$ --

	Series C Mandatorily Redeemable		Series D Convertible Redeemable	
	Number of Shares	Liquidation Value	Number of Shares	Liquidation Value
Balance, April 30, 1994	--	\$ --	--	\$ --
Issuance of Class A Common Stock and warrants .....	--	--	--	--
Accretion of put warrants .....	--	--	--	--
Net income .....	--	--	--	--
Balance April 30, 1995	--	--	--	--
Issuance of preferred stock and other capital transactions .....	424,307	1,951,812	1,922,169	13,455,180
Issuance costs .....	--	--	--	(972,771)
Accretion of preferred stock .....	--	65,060	--	64,851
Net loss .....	--	--	--	--
Balance, April 30, 1996	424,307	2,016,872	1,922,169	12,547,260
Issuance of Class A Common Stock in various acquisitions .....	--	--	--	--
Accretion of preferred stock and warrants .....	--	204,274	--	3,901,594
Net loss .....	--	--	--	--
Balance April 30, 1997	424,307	2,221,146	1,922,169	16,448,854
Issuance of Class A Common Stock .....	--	--	--	--
Accretion of preferred stock and issuance costs .....	--	51,068	--	957,712
Net income .....	--	--	--	--
Balance, July 31, 1997 .....	424,307	2,272,214	1,922,169	17,406,566
Pro forma adjustments				

(unaudited) (see Note 2(k))	--	697,935	(1,922,169)	(17,406,566)
Pro Forma Balance, July 31, 1997 (unaudited)	424,307	\$2,970,149	--	\$ --

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

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

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

	Stockholders' Equity (Deficit)				
	Redeemable Put Warrants	Class A Common Stock		Class B Common Stock	
		Number of Shares	\$0.01 Par Value	Number of Shares	\$0.01 Par Value
Balance, April 30, 1994	\$ 61,662	1,355,000	\$13,550	1,000,000	\$10,000
Issuance of Class A Common Stock and warrants	700,000	744,191	7,442	--	--
Accretion of put warrants	2,380,296	--	--	--	--
Net income	--	--	--	--	--
Balance, April 30, 1995	3,141,958	2,099,191	20,992	1,000,000	10,000
Issuance of preferred stock and other capital transactions	(2,741,958)	--	--	--	--
Issuance costs	--	--	--	--	--
Accretion of preferred stock	--	--	--	--	--
Net loss	--	--	--	--	--
Balance, April 30, 1996	400,000	2,099,191	20,992	1,000,000	10,000
Issuance of Class A Common Stock in various acquisitions	--	755,254	7,552	--	--
Accretion of preferred stock and warrants	--	--	--	--	--
Net loss	--	--	--	--	--
Balance, April 30, 1997	400,000	2,854,445	28,544	1,000,000	10,000
Issuance of Class A Common Stock	--	20,000	200	--	--
Accretion of preferred stock and issuance costs	--	--	--	--	--
Net income	--	--	--	--	--
Balance, July 31, 1997	400,000	2,874,445	28,744	1,000,000	10,000
Pro forma adjustments (unaudited) (see Note 2(k))	300,000	3,733,368	37,334	--	--
Pro Forma Balance, July 31, 1997 (unaudited)	\$ 700,000	6,607,813	\$66,078	1,000,000	\$10,000

	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity (Deficit)
Balance, April 30, 1994	\$ 21,400	\$ 692,967	\$ 737,917
Issuance of Class A Common Stock and warrants .....	3,430,961	--	3,438,403
Accretion of put warrants .....	--	(2,380,296)	(2,380,296)
Net income .....	--	302,075	302,075
Balance, April 30, 1995	3,452,361	(1,385,254)	2,098,099
Issuance of preferred stock and other capital transactions ...	(2,836,794)	--	(2,836,794)
Issuance costs .....	--	--	--
Accretion of preferred stock .....	--	(129,911)	(129,911)
Net loss .....	--	(273,867)	(273,867)
Balance, April 30, 1996	615,567	(1,789,032)	(1,142,473)
Issuance of Class A Common Stock in various acquisitions ...	9,366,350	--	9,373,902
Accretion of preferred stock and warrants .....	--	(8,530,369)	(8,530,369)
Net loss .....	--	(11,786)	(11,786)
Balance, April 30, 1997	9,981,917	(10,331,187)	(310,726)
Issuance of Class A Common Stock .....	11,800	--	12,000
Accretion of preferred stock and issuance costs .....	--	(2,114,905)	(2,114,905)
Net income .....	--	889,699	889,699
Balance, July 31, 1997 ....	9,993,717	(11,556,393)	(1,523,932)
Pro forma adjustments (unaudited) (see Note 2(k)) .....	31,231,373	(997,935)	30,270,772
Pro Forma Balance, July 31, 1997 (unaudited) .....	\$ 41,225,090	\$ (12,554,328)	\$ 28,746,840

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

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	April 30,		
	1995	1996	1997
Cash flows from operating activities:			

Net income (loss)	\$ 302,075	\$ (273,867)	\$ (11,786)
Adjustments to reconcile net income (loss) to net cash provided by operating activities--			
Depreciation and amortization	4,511,494	7,642,939	13,053,209
(Gain) loss on sale of equipment	(61,429)	(41,003)	313,039
Provision (benefit) for deferred income taxes	186,017	568,585	138,913
Write-down of land under development	240,079	--	--
Extraordinary item--loss on extinguishment of debt	--	326,308	--
Changes in assets and liabilities, net of effects of acquisitions--			
Accounts receivable--			
Trade	(121,640)	(1,615,995)	(3,360,238)
Related parties	996,583	--	--
Other current assets	(793,465)	312,991	(362,360)
Accounts payable--			
Trade	(878,994)	146,702	5,275,654
Related parties	(273,770)	--	--
Accrued closure and postclosure costs	272,194	732,242	227,963
Accrued and other liabilities	131,492	424,765	(548,403)
	4,208,561	8,497,534	14,737,777
Net cash provided by operating activities	4,510,636	8,223,667	14,725,991
Cash flows from investing activities:			
Acquisitions, net of cash acquired	(8,289,000)	(17,321,845)	(34,824,629)
Additions to property and equipment	(3,414,593)	(10,080,587)	(14,926,135)
Proceeds from sale of equipment	193,228	65,939	165,643
Funds held by trustees for acquisitions and other costs of acquisitions	1,473,874	--	--
Restricted funds--closure fund escrow	1,203,784	(213,630)	(625,473)
Other assets	(8,502)	65,277	(103,306)
Net cash used in investing activities	(8,841,209)	(27,484,846)	(50,313,900)
Cash flows from financing activities:			
Proceeds from issuance of common stock	--	--	--
Proceeds from issuance of preferred stock, net of issuance costs	--	12,482,412	--
Payments to subordinated debtholders	--	(2,072,174)	--
Deferred debt acquisition costs	(513,083)	(125,260)	(388,607)
Payments on short-term debt, net	(1,000,721)	--	--
Proceeds from long-term borrowings	22,279,462	23,054,334	43,258,000
Principal payments on long-term debt	(14,999,195)	(13,836,068)	(5,752,471)
Principal payments on capital lease obligations	(1,163,355)	(481,348)	(589,058)
Proceeds from issuance of warrants	14,025	--	--
Net cash provided by financing activities	4,617,133	19,021,896	36,527,864
Net increase (decrease) in cash and cash equivalents	286,560	(239,283)	939,955
Cash and cash equivalents, beginning of year	427,310	713,870	474,587
Cash and cash equivalents, end of year	\$ 713,870	\$ 474,587	\$ 1,414,542
Supplemental disclosures of cash flow information:			
Cash paid during the year for--			
Interest	\$ 1,788,468	\$ 2,255,260	\$ 3,865,056
Income taxes	\$ 217,159	\$ 117,150	\$ 598,190
Supplemental disclosures of noncash investing and financing activities:			
During fiscal 1996, the Company converted certain subordinated debt into redeemable preferred stock (see Note 7).			
Summary of entities acquired--			
Fair value of assets acquired	\$ 25,668,000	\$ 22,344,722	\$ 65,072,296
Fair value of the issuance of the Company's stock and warrants	(3,821,000)	--	(9,373,904)
Cash paid	(8,289,000)	(17,321,845)	(34,824,629)
Liabilities assumed and notes payable to sellers	\$ 13,558,000	\$ 5,022,877	\$ 20,873,763

Three Months Ended July 31,

	1996	1997
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss) .....	\$ 28,004	\$ 889,699
Adjustments to reconcile net income (loss) to net cash provided by operating activities--		
Depreciation and amortization .....	2,974,781	3,851,585
(Gain) loss on sale of equipment .....	(12,621)	(5,655)
Provision (benefit) for deferred income taxes .....	--	--
Write-down of land under development .....	--	--
Extraordinary item--loss on extinguishment of debt .....	--	--
Changes in assets and liabilities, net of effects of acquisitions--		
Accounts receivable--		
Trade .....	(1,813,892)	(1,875,926)
Related parties .....	--	--
Other current assets .....	340,069	552,339
Accounts payable--		
Trade .....	1,540,652	1,226,875
Related parties .....	--	--
Accrued closure and postclosure costs .....	(384,150)	(618,034)
Accrued and other liabilities .....	297,340	(942,211)
	2,942,179	2,188,973
	2,970,183	3,078,672
Cash flows from investing activities:		
Acquisitions, net of cash acquired .....	(5,345,726)	(4,707,925)
Additions to property and equipment .....	(2,805,699)	(4,578,903)
Proceeds from sale of equipment .....	82,000	22,966
Funds held by trustees for acquisitions and other costs of acquisitions .....	--	--
Restricted funds--closure fund escrow .....	(149,003)	299,931
Other assets .....	192,708	(501,402)
	(8,025,720)	(9,465,333)
Cash flows from financing activities:		
Proceeds from issuance of common stock .....	--	12,000
Proceeds from issuance of preferred stock, net of issuance costs .....	--	--
Payments to subordinated debtholders .....	--	--
Deferred debt acquisition costs .....	--	(94,342)
Payments on short-term debt, net .....	--	--
Proceeds from long-term borrowings .....	6,382,000	8,620,000
Principal payments on long-term debt .....	(1,371,021)	(1,512,234)
Principal payments on capital lease obligations .....	(85,631)	(97,806)
Proceeds from issuance of warrants .....	--	--
	4,925,348	6,927,618
Net increase (decrease) in cash and cash equivalents .....		
	(130,189)	540,957
Cash and cash equivalents, beginning of year .....	474,587	1,414,542
	\$ 344,398	\$ 1,955,499
Supplemental disclosures of cash flow information:		
Cash paid during the year for--		
Interest .....	\$ 496,108	\$ 2,012,691
Income taxes .....	\$ --	\$ 20,000

Supplemental disclosures of noncash investing and financing activities:

During fiscal 1996, the Company converted certain subordinated debt into redeemable preferred stock (see Note 7).

Summary of entities acquired--		
Fair value of assets acquired .....	\$ 19,236,764	\$ 6,324,678
Fair value of the issuance of the Company's stock and warrants .....	--	--
Cash paid .....	(5,345,726)	(4,707,925)
	-----	-----
Liabilities assumed and notes payable to sellers .....	\$ 13,891,038	\$ 1,616,753
	=====	=====

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

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATIONS

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

(b) Use of Estimates

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

(c) Revenue Recognition

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

(d) Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, trade receivables, investments in closure trust funds, trade payables and debt instruments. The book values of cash and cash equivalents, trade receivables, investments in closure trust funds and trade payables approximate their respective fair values. The Company's debt instruments that are outstanding as of July 31, 1997 have carrying values that approximate their

respective fair values. See Note 4 for the terms and carrying values of the Company's various debt instruments.

(e) Cash and Cash Equivalents

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

(f) Closure Fund Escrow

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

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property and Equipment

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

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

The cost of maintenance and repairs is charged to operations as incurred. Depreciation expense for the years ended April 30, 1995, 1996 and 1997 and the three months ended July 31, 1997 was \$1,628,405, \$2,908,092, and \$6,498,346 and \$2,038,893, respectively.

Capitalized landfill costs include expenditures for land and related airspace, permitting costs and preparation costs. Landfill permitting and preparation costs represent only direct costs related to these activities, including legal, engineering and construction. Interest is capitalized on landfill permitting and construction projects and other projects under development while the assets are undergoing activities to ready them for their intended use. The interest capitalization rate is based on the Company's weighted average cost of indebtedness. No interest was capitalized for the years ended April 30, 1995 and 1996. Interest capitalized for the year ended April 30, 1997 and the three months ended July 31, 1997 was \$182,418 and \$35,893, 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.

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

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

(h) Accrued Closure and Postclosure Costs

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

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The states in which the Company operates require a certain portion of these accrued closure and postclosure obligations to be funded at any point in time. Accordingly, the Company has placed \$3,790,458, \$4,396,715 and \$4,565,988 at April 30, 1996 and 1997 and July 31, 1997, respectively, in restricted investment accounts to fund these future obligations.

In addition, the Company has been required to post a surety bond or bank letter of credit to secure its obligations to close its landfills in accordance with environmental regulations. At July 31, 1997, the Company had provided letters of credit totaling \$2,698,606 to secure the Company's landfill closure obligations, expiring between April 1998 and June 1998.

(i) Intangible Assets

Goodwill is the cost in excess of fair value of identifiable assets of acquired businesses and is amortized on the straight-line method over periods not exceeding 40 years. Other intangible assets include covenants not to compete and customer lists and are amortized on the straight-line method over their estimated useful lives, typically no more than 10 years. The Company continually evaluates whether events and circumstances have occurred subsequent

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

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

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

	April 30,		July 31, 1997
	1996	1997	
Goodwill .....	\$ 8,217,155	\$41,793,613	\$45,279,403
Covenants not to compete .....	4,843,826	5,783,139	6,839,379
Customer lists .....	459,570	431,201	430,195
Deferred debt acquisition costs and other .....	412,702	698,777	793,120
	-----	-----	-----
	13,933,253	48,706,730	53,342,097
Less--accumulated amortization .....	2,396,597	2,738,181	3,323,221
	-----	-----	-----
	\$11,536,656	\$45,968,549	\$50,018,876
	=====	=====	=====

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(j) Income Taxes

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

(k) Unaudited Pro Forma and Unaudited Pro Forma As Adjusted Presentation

Under the terms of the Company's agreements with the holders of the Series A and Series B Redeemable Preferred Stock with warrants exercisable for Class A Common Stock, the preferred stock will automatically be redeemed and the redemption price applied to the exercise of the warrants upon the closing of

the Company's proposed initial public offering. Under the terms of the Company's agreements with the holders of the Series D Convertible Redeemable Preferred Stock, the preferred stock will be converted automatically into shares of Class A Common Stock upon the closing of the Company's proposed initial public offering. The unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated statement of operations and unaudited pro forma consolidated statement of redeemable preferred stock, redeemable put warrants and stockholders' equity (deficit) reflect these transactions of the preferred stock and warrants as well as the accretion of the Series C Mandatorily Redeemable Preferred Stock to its redemption value and the accretion of the redeemable put warrants to their call value.

The unaudited pro forma as adjusted statement of operations gives effect to (i) the acquisitions completed during fiscal 1997; (ii) the acquisition of H.C. Gobin; and (iii) the application of the estimated net proceeds from the Offering, at an assumed initial public offering price of \$            per share, after deducting the estimated underwriting discount and offering expenses payable by the Company, as if each had occurred on May 1, 1996.

(1)            Unaudited Pro Forma Net Loss per Share of Common Stock and Pro  
                  Forma, As Adjusted, Net Income per Share of Common Stock

Pro forma net loss per share of common stock is computed based on the weighted average number of common shares outstanding and gives effect to the following adjustments. For purposes of this calculation, dilutive stock options and warrants that are considered common stock equivalents are not included, as the effect of their inclusion would be dilutive except that pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83, common and common equivalent shares issued during the 12-month period prior to the date of the initial filing of the Company's Registration Statement have been included in the calculation, using the treasury stock method, as if they were outstanding for all periods presented. Fair market value for the purpose of this calculation was assumed to be \$            , which is the midpoint of the assumed initial public offering price range. Also, all outstanding shares of Redeemable

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Preferred Stock, including the Redeemable Preferred Stock with warrants, which will automatically convert into Class A Common Stock upon the closing of the Company's proposed initial public offering, are assumed to be converted to Class A Common Stock at the time of issuance.

Pro forma, as adjusted, net income per share of common stock includes the effect of dilutive stock options and warrants, which are considered common stock equivalents, using the treasury stock method. Pro forma, as adjusted, net income per share of common stock also assumes the elimination of preferred stock accretion and interest expense relating to the assumed preferred stock redemption and debt reduction with the proceeds from the Company's proposed initial public offering. Additionally, pro forma, as adjusted, net income per share of common stock gives effect to the acquisitions completed in fiscal 1997 as if the acquisitions had occurred on May 1, 1996. Pro forma, as adjusted, weighted average shares outstanding includes the shares to be issued by the Company in the proposed initial public offering, which will be used to redeem the Series C Mandatorily Redeemable Preferred Stock and reduce certain outstanding debt.

Historical net income (loss) per share data have not been presented, as such information is not considered to be relevant or material.

In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128, Earnings per Share. This statement establishes standards for computing and presenting earnings per share (EPS) and applies to entities with publicly held common stock or potential common stock. This statement simplifies the standards for computing earnings per share previously found in Accounting Principles Board (APB) Opinion No. 15, Earnings per Share, and makes them comparable to international EPS standards. It replaces the presentation of primary EPS with a presentation of basic EPS. It also requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. This statement is effective for financial statements issued for periods ending after December 15, 1997, including interim periods; earlier application is not permitted. This statement requires restatement of all prior-period EPS data presented. The adoption of this statement will not have a material impact on the Company's financial statements.

### 3. BUSINESS ACQUISITIONS

During fiscal 1995 and 1996, the Company completed 5 and 15 acquisitions, respectively, including two landfills in 1995 and one landfill in 1996. During fiscal 1997, the Company completed 24 acquisitions, including the 25-year capital lease of a landfill. During the three months ended July 31, 1997, the Company completed 8 acquisitions.

The operating results of these businesses are included in the consolidated statements of operations from the dates of acquisition. All of the Company's acquisitions were accounted for as purchases and/or capital leases and, accordingly, 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 the net assets acquired were as follows (rounded to thousands):

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#### CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

### 3. BUSINESS ACQUISITIONS (Continued)

	Fiscal Year Ended April 30,			Three Months
	1995	1996	1997	Ended July 31, 1997
Accounts receivable and prepaid expenses .....	\$ 1,085,000	\$ 2,947,000	\$ 3,918,000	\$ 323,000
Investments--restricted .....	3,335,000	1,240,000	450,000	--
Landfills .....	13,477,000	3,495,000	8,013,000	--
Property and equipment .....	3,735,000	7,425,000	16,878,000	1,462,000
Covenants not to compete and customer lists .....	1,034,000	2,060,000	2,212,000	1,056,000
Goodwill .....	3,002,000	5,178,000	33,602,000	3,484,000
Deferred taxes .....	(329,000)	(806,000)	(73,000)	--
Debt and notes payable .....	(9,641,000)	(3,656,000)	(5,075,000)	(1,040,000)
Other liabilities assumed ...	(3,588,000)	(561,000)	(15,726,000)	(577,000)
Total consideration .....	\$ 12,110,000	\$ 17,322,000	\$ 44,199,000	\$ 4,708,000

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

	Fiscal Year Ended April 30,		Three Months
	1996	1997	Ended July 31, 1997
Revenues .....	\$79,348,000	\$103,257,000	\$27,691,000
Operating income .....	6,915,000	5,952,000	3,064,000
Net income (loss) .....	(873,000)	(1,499,000)	354,000
Pro forma income (loss) per share of common stock	(0.18)	(0.20)	0.03
Weighted average common stock and common stock equivalent shares outstanding .....	4,874,000	7,408,000	11,171,000

The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the acquisitions taken place as of May 1, 1995 for the years ended April 30, 1996 and 1997 and May 1, 1996 for the three months ended July 31, 1997 or the results that may occur in the future. 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 companies.

#### 4. LONG-TERM DEBT

Long-term debt as of April 30, 1996 and 1997 and July 31, 1997 consists of the following:

	April 30,		July 31,
	1996	1997	1997
Advances on a bank acquisition line, which provides for advances of up to \$85,000,000, due July 31, 2002. Interest on outstanding advances accrues at the bank's base rate (8.5% at July 31, 1997), payable monthly in arrears. The debt is collateralized by all assets of the Company, whether now owned or hereafter acquired .....	\$9,200,686	\$52,358,686	\$60,978,686

	April 30,		July 31,
	1996	1997	1997
Term note payable to a bank, secured by all assets of the Company (whether now owned or hereafter acquired), bearing interest at the bank's base rate plus .25% per annum, due in quarterly installments of \$302,083 (plus accrued interest) through July 31, 2002 .....	9,166,667	6,666,667	6,041,667
Term note payable to a bank, secured by all assets of the Company (whether now owned or hereafter acquired), bearing interest at the bank's base rate plus .25% per annum, due in annual installments of \$250,000 (plus accrued interest) from July 31, 1999 to July 31, 2002 and quarterly installments of \$196,429 (plus accrued interest) through July 31, 2004 .....	3,535,714	2,764,286	2,571,429
Notes payable in connection with businesses acquired, bearing interest at rates of 7% to 10%, due in monthly installments ranging from \$939 to \$11,152, expiring November 1997 through August 2006 .....	2,628,719	6,507,460	7,135,891
Payments due to Clinton County, discounted at 4.75%, due in quarterly installments of \$375,046 through March 2003 .....	--	7,796,216	7,513,408
	24,531,786	76,093,315	84,241,081
Less--current portion .....	4,799,134	5,584,415	3,857,534
	\$19,732,652	\$70,508,900	\$80,383,547

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

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

4. LONG-TERM DEBT (Continued)

As of July 31, 1997, debt matures as follows:

	Amount
	-----
Year Ending July 31,	
1998 .....	\$ 3,857,534
1999 .....	4,095,404
2000 .....	4,000,779
2001 .....	3,997,625
2002 .....	64,578,902
Thereafter .....	3,710,837
	-----
	\$84,241,081
	=====

#### 5. INCOME TAXES

The provision (benefit) for income taxes as of April 30, 1995, 1996 and 1997 and July 31, 1997 consists of the following:

	April 30,			July 31,
	1995	1996	1997	1997
	-----	-----	-----	-----
Federal--				
Current .....	\$ 9,000	\$ (329,072)	\$305,937	\$588,781
Deferred .....	149,017	457,560	135,761	--
	-----	-----	-----	-----
	158,017	128,488	441,698	588,781
	-----	-----	-----	-----
State--				
Current .....	25,000	(96,086)	7,102	138,537
Deferred .....	37,000	111,025	3,152	--
	-----	-----	-----	-----
	62,000	14,939	10,254	138,537
	-----	-----	-----	-----
Total .....	\$220,017	\$ 143,427	\$451,952	\$727,318
	=====	=====	=====	=====

The differences in the provisions for income taxes and the amounts determined by applying the Federal statutory rate of 34% to income before provision for income taxes and extraordinary loss for the years ended April 30, 1995, 1996 and 1997 and the three months ended July 31, 1997 are as follows:

	Fiscal Year Ended April 30,			Three Months
	1995	1996	1997	Ended
	-----	-----	-----	July 31, 1997
	-----	-----	-----	-----
Tax at statutory rate .....	\$177,511	\$ 66,595	\$149,656	\$549,786
State income taxes, net of federal benefit .....	28,454	10,675	23,989	85,379
Meals and entertainment disallowance .....	5,169	10,777	18,552	4,973
Nondeductible goodwill .....	13,428	20,386	133,736	34,983
Other, net (mainly imputed interest income for tax purposes) .....	(4,545)	34,994	126,019	52,197

----- \$220,017 =====	----- \$143,427 =====	----- \$451,952 =====	----- \$727,318 =====
-----------------------------	-----------------------------	-----------------------------	-----------------------------

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.

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

5. INCOME TAXES (Continued)

Deferred tax assets and liabilities consist of the following at April 30, 1996 and 1997 and July 31, 1997:

	April 30,		July 31,
	1996	1997	1997
	-----	-----	-----
Deferred tax assets--			
Allowance for doubtful accounts .....	\$ 129,800	\$ 176,961	\$ 176,961
Treatment of lease obligations .....	65,403	64,558	64,558
Accrued expenses .....	158,603	343,952	343,952
Net operating loss carryforwards .....	569,338	574,279	574,279
Alternative minimum tax credit carryforwards .....	--	305,937	305,937
Other tax carryforwards .....	117,560	184,969	184,969
Amortization of intangibles .....	24,009	34,634	34,634
Other .....	123,048	91,518	91,518
Deferred tax liabilities--			
Accelerated depreciation of property and equipment .....	(1,704,894)	(2,244,797)	(2,244,797)
Other .....	(423,184)	(587,962)	(587,962)
	-----	-----	-----
Net deferred tax liability .....	\$ (940,317)	\$ (1,055,951)	\$ (1,055,951)
	=====	=====	=====

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

6. COMMITMENTS AND CONTINGENCIES

(a) Leases

The following is a schedule of future minimum lease payments, together with the present value of the net minimum lease payments under capital leases, as of July 31, 1997.

Operating Leases	Capital Leases
---------------------	-------------------

	-----	-----
Year Ended July 31,		
1998 .....	\$ 511,977	\$ 566,880
1999 .....	427,608	426,590
2000 .....	254,012	363,600
2001 .....	120,039	291,600
2002 .....	68,151	213,600
Thereafter .....	53,113	160,200
	-----	-----
Total minimum lease payments .....	\$1,434,900	2,022,470
	=====	
Less--amount representing interest .....		355,389
		-----
Current maturities of capital lease obligations .....		1,667,081
		437,475
		-----
Present value of long-term capital lease obligations .....		\$1,229,606
		=====

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

6. COMMITMENTS AND CONTINGENCIES (Continued)

The Company leases real estate, containers and hauling vehicles under leases that qualify for treatment as capital leases. The assets related to these leases have been capitalized and are included in property and equipment at April 30, 1996 and 1997 and July 31, 1997.

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

Total rent expense under operating leases charged to operations was \$202,931, \$502,122, \$933,294 and \$250,612, for each of the three years ended April 30, 1995, 1996 and 1997 and for the three months ended July 31, 1997, respectively.

(b) Closure of a Municipal Unlined Landfill

In connection with the capital lease of Clinton County's New York Solid Waste System Facilities, the Company has agreed that upon exhaustion of the airspace of an unlined municipal landfill (which is adjacent to the Subtitle D Clinton County landfill being operated by the Company), it will pay for the closure of the landfill in accordance with the regulations of the New York State Department of Environmental Conservation. The Company has initiated closure and capping activities at this landfill, which it expects to complete by September 1997. The total cost to close the unlined landfill is expected to be approximately \$3,350,000. The Company accrued for the costs relating to the closure of the unlined landfill in purchase accounting. As of July 31, 1997, \$1,687,362 is classified as a current liability and included in accrued closure and postclosure costs in the accompanying consolidated balance sheet.

(c) Legal Proceedings

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

(d) Environmental Liability

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

(e) Other

In connection with an acquisition, the Company entered into an agreement to pay 10% of gross revenues, as defined in the agreement, from the operation of a landfill to the former owners until January 1999, subject to a cumulative minimum of \$1,592,000 and a cumulative maximum of \$6,028,000. The Company has recorded the present value of the guaranteed minimum as a cost of the acquisition in the accompanying consolidated balance sheets. On January 25, 1999, any cumulative amounts not paid up

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

6. COMMITMENTS AND CONTINGENCIES (Continued)

to the maximum of \$6,028,000 are due and payable, subject to the successful permitting of an additional 1,000,000 tons of landfill capacity. The amount due is reduced pro rata for any capacity below 1,000,000 tons. This additional obligation will be recognized as a cost of the additional capacity, when and if the Company receives a permit for the additional capacity.

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

(a) Preferred Stock

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

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

The holders of the Series A and Series B Redeemable Preferred Stock with

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

#### Series C Mandatorily Redeemable Preferred Stock

If a liquidity event, as defined, has not occurred on or prior to December 31, 2000, the Series C Mandatorily Redeemable Preferred Stock becomes mandatorily redeemable by the Company. The redemption price shall be \$7.00 per share. The difference between the carrying value and the redemption value of the Series C Mandatorily Redeemable Preferred Stock is being accreted using the effective interest method through the earliest redemption date.

#### Series D Convertible Redeemable Preferred Stock

On or after January 1, 2001, each of the holders of Series D Convertible Redeemable Preferred Stock shall have the option to tender all or any portion of such shares held to the Company. The redemption

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### CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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

price for each share shall be the greater of \$7.00 or the underlying fair market value of the Company's Class A Common Stock (\$16.00 at July 31, 1997). The difference between the carrying value and the redemption value of the Series D Convertible Redeemable Preferred Stock is being accreted using the effective interest method through the earliest redemption date.

#### Liquidation Preference

Preferred stockholders have a preference in liquidation over other stockholders equal to \$1.50 per share of Series A Preferred Stock, \$2.00 per share of Series B Preferred Stock, \$7.00 per share of Series C and D Preferred Stock, plus any accrued and unpaid dividends, declared and unpaid. The aggregate preference in liquidation was \$19,789,420 at July 31, 1997.

#### Conversion

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

#### Voting

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

(b) Stock Warrants

At July 31, 1997, the Company had outstanding warrants to purchase 356,108 shares of the Company's Class A Common Stock at exercise prices between \$0.01 and \$7.25 per share, the then fair market value of the underlying common stock. The warrants become exercisable upon vesting and notification and expire between July 1998 and October 2003.

(c) Put Warrants

In connection with an acquisition in April 1995, the Company issued 100,000 warrants to purchase one share each of Class A Common Stock exercisable at \$6.00 per share. These warrants are puttable to the Company at \$4.00 per share or callable by the Company at \$7.00 per share beginning in April 1997. These warrants are stated at their put price per share in the accompanying consolidated balance sheets.

(d) Stock Option Plans

During 1993, the Company adopted an incentive stock option plan for officers and other key employees. The 1993 Incentive Stock Option Plan (the 1993 Option Plan) provides for the issuance of a maximum of 300,000 shares of Class A Common Stock. A committee of not fewer than three directors of the Company (the Option Committee), none of whom is an officer or other salaried employee of the Company who shall participate in the Option Plans, has the authority to select the optionees and determine the terms of the options granted. As of July 31, 1997, options to purchase 300,000 shares of Class A Common Stock at an average exercise price of \$0.60 were outstanding under the 1993 Option Plan. However, no options have been exercised under the 1993 Option Plan as of July 31, 1997.

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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

During 1994, the Company adopted a nonstatutory stock option for officers and other key employees. The 1994 Stock Option Plan (the 1994 Option Plan) provides for the issuance of a maximum of 150,000 shares of Class A Common Stock. The Board of Directors and/or the Option Committee has the authority to select the optionees and determine the terms of the options granted. As of July 31, 1997, options to purchase 130,000 shares of Class A Common Stock at an average exercise price of \$3.19 were outstanding under the 1994 Option Plan. 20,000 options have been exercised under the 1994 Option Plan as of July 31, 1997.

In connection with the May 1994 Senior Note and Warrant Purchase Agreement (the Purchase Agreement), the Company established a nonqualified stock option pool for certain key employees. The purchase agreement established 338,000 stock options to purchase Class A Common Stock at \$2.00 per share, the then fair market value. The options vest on December 31, 2000, and are subject to accelerated vesting upon an initial public offering or a liquidation event, as defined, on or before July 1, 1998.

During 1996, the Company adopted a stock option plan for employees, officers and directors of, and consultants and advisors to, the Company. The 1996 Stock Option Plan (the 1996 Option Plan) provides for the issuance of a

maximum of 418,135 shares of Class A Common Stock pursuant to the grant of either incentive stock options or nonstatutory options. The Board of Directors has the authority to select the optionees and determine the terms of the options granted. As of July 31, 1997, options to purchase 418,135 shares of Class A Common Stock at an average exercise price of \$10.09 were outstanding under the 1996 Option Plan. However, as of July 31, 1997, no options have been exercised under the 1996 Option Plan.

On May 6, 1997, the Company amended the 1996 Option Plan to provide for the issuance of an additional 500,000 shares of Class A Common Stock. The Board of Directors has the authority to select the optionees and determine the terms of the options granted. On May 6, 1997, options to purchase 191,500 shares of Class A Common Stock at an exercise price of \$16.00 were granted under the 1996 Option Plan.

Stock option activity for each of the three years ended April 30, 1995, 1996, 1997 and July 31, 1997 is as follows:

	Number of Shares	Weighted Average Exercise Price
	-----	-----
Outstanding, April 30, 1994	145,000	\$ 0.60
Granted .....	528,000	1.50
Terminated .....	--	--
Exercised .....	--	--
	-----	-----
Outstanding, April 30, 1995	673,000	1.30
Granted .....	115,000	3.53
Terminated .....	--	--
Exercised .....	--	--
	-----	-----
Outstanding, April 30, 1996	788,000	1.63
Granted .....	418,135	10.09
Terminated .....	--	--
Exercised .....	--	--
	-----	-----
Outstanding, April 30, 1997 .....	1,206,135	4.56
Granted .....	191,500	16.00
Terminated .....	--	--
Exercised .....	20,000	0.60
	-----	-----
Outstanding, July 31, 1997 .....	1,377,635	\$ 6.21
	=====	=====
Exercisable, July 31, 1997 .....	604,592	\$ 4.35
	=====	=====

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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

Set forth is a summary of options outstanding and exercisable as of July 31, 1997:

Range of Exercise	Options Outstanding			Options Exercisable	
	Number of Outstanding Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Exercisable Options	Weighted Average Exercise Price
\$ 0.60-\$ 2.00...	693,000	5.14	\$ 1.33	355,000	\$ 0.70
4.61- 7.00 .....	199,000	8.10	4.78	126,381	4.87
12.00- 16.00 .....	485,635	9.54	13.75	123,211	14.31
-----	-----	-----	-----	-----	-----
\$ 0.60-\$16.00...	1,377,635	7.12	\$ 6.21	604,592	\$ 4.35
=====	=====	=====	=====	=====	=====

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

The Company has elected to account for its stock-based compensation plans under APB Opinion No. 25. However, the Company has computed, for pro forma disclosure purposes, the value of all options granted during the years ended April 30, 1996 and 1997 and the three months ended July 31, 1997 using the Black-Scholes option pricing model as prescribed by SFAS No. 123, using the following weighted average assumptions for grants in the years ended April 30, 1996 and 1997 and the three months ended July 31, 1997:

	April 30,		
	1996	1997	July 31, 1997
Risk-free interest rate .....	5.69%	6.45%	6.67%
Expected dividend yield .....	N/A	N/A	N/A
Expected life .....	10 years	10 years	10 years
Expected volatility .....	N/A	N/A	N/A

The total value of options granted during the years ended April 30, 1996 and 1997 and the three months ended July 31, 1997 would be amortized on a pro forma basis over the vesting period of the options. Options generally vest equally over three years. Because the method of accounting prescribed by SFAS No. 123 has not been applied to options granted prior to May 1, 1995, the resulting pro forma compensation costs may not be representative of that to be expected in future years. If the Company had accounted for these plans in accordance with SFAS No. 123, the Company's net loss and net loss per share would have decreased as reflected in the following pro forma amounts:

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

	April 30,		July 31, 1997
	1996	1997	
Net income (loss)			
As reported	\$ (273,867)	\$ (11,786)	\$889,699
Pro forma	(309,390)	(319,127)	555,572
Net income (loss) per share of common stock--			
As reported	(0.06)	--	0.10
Pro forma	(0.06)	(0.04)	0.06

The weighted-average grant-date fair value of options granted during the years ended April 30, 1996 and 1997 and the three months ended July 31, 1997 is \$0.51, \$1.07 and \$2.60, respectively.

(e) Reserved Shares

At April 30, 1996 and 1997 and July 31, 1997, shares of Class A Common Stock were reserved for the following reasons:

	April 30,		July 31, 1997
	1996	1997	
Exercise of stock warrants related to Series A and Series B Preferred Stock	1,811,199	1,811,199	1,811,199
Exercise of Series D Convertible Preferred Stock	1,922,169	1,922,169	1,922,169
Exercise of stock warrants/put warrants	456,108	456,108	456,108
Exercise of management stock options	788,000	1,206,135	1,377,635
	4,977,476	5,395,611	5,567,111
	=====	=====	=====

8. EMPLOYEE BENEFIT PLANS

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

On May 1, 1996, the Company adopted the Casella Waste Systems, Inc. 401(k) Plan and appointed the First National Bank of Boston as trustee to the plan. The plan went into effect on July 1, 1996 and has a December 31 year end. Pending board approval, the Company may contribute up to \$500 per individual per calendar year. Participants vest in employer contributions ratably over a three-year period. Employer contributions for the year ended April 30, 1997 and the three months ended July 31, 1997 amounted to \$149,469 and \$29,523, respectively.

9. RELATED PARTY TRANSACTIONS

(a) Management Services Agreement

As part of the Series D Preferred Stock transaction described in Note 7(a), the Company entered into a Management Services Agreement with certain shareholders of the Series A, Series B and Series C Preferred Stock. In consideration for certain advisory services to the Company, as defined, a management fee of approximately \$22,300 per month is due. However, amounts due under this agreement are not payable until a liquidity event, as defined, occurs. As of July 31, 1997, the Company had accrued approximately \$427,000 related to such management fee.

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CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

9. RELATED PARTY TRANSACTIONS (Continued)

(b) Services

During 1996 and 1997, the Company retained the services of a related party, a company wholly owned by two of the Company's stockholders, as a contractor in closing the landfills owned by the Company. Total purchased services charged to operations for each of the three years ended April 30, 1995, 1996 and 1997 and the three months ended July 31, 1997 were \$339,138, \$1,291,435, \$2,125,606 and \$840,500, respectively, of which \$0, \$55,000, \$24,988 and \$24,988 were outstanding and included in accounts payable at April 30, 1995, 1996 and 1997 and July 31, 1997, respectively. In 1997, the Company entered into agreements with this company, totaling \$4,065,000, to close the unlined municipal landfill which is adjacent to the Subtitle D Clinton County landfill (see Note 6) and to close a portion of another of the Company's lined landfills.

(c) Leases and Land Purchase

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

On August 1, 1993, the Company entered into three leases for operating facilities with the same partnership. The leases call for monthly payments ranging from \$3,200 to \$9,000 and expire in April 2003. During 1997, one of the leases was terminated early for \$191,869. The remaining leases are classified as capital leases in the accompanying consolidated balance sheets. Total interest and amortization expense charged to operations for the years ended April 30, 1995, 1996 and 1997 and the three months ended July 31, 1997 under these agreements was \$263,400, \$252,000, \$249,379 and \$56,634, respectively.

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

(d) Postclosure Landfill

The Company has agreed to pay the cost of postclosure on a landfill owned by certain principal stockholders. The Company paid the cost of closing this landfill in 1992, and the postclosure maintenance obligations are expected to last until 2012. In each of the three years ended April 30, 1995, 1996 and 1997 and the three months ended July 31, 1997, the Company paid \$11,758, \$14,502, \$9,605 and \$0, respectively, pursuant to this agreement. The Company has accrued \$107,791 for costs associated with its postclosure obligations.

10. SUBSEQUENT EVENTS

Subsequent to July 31, 1997, the Company acquired substantially all of the assets of one company. The acquisition has been accounted for using the purchase method of accounting and, accordingly, the results of its operations will be included in the Company's results of operations from its respective acquisition date. Total consideration paid for this acquisition was approximately \$4,566,000.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors  
Sawyer Companies:

We have audited the accompanying combined balance sheet of Sawyer Companies as of December 31, 1995 and the related combined statement of income and retained earnings and cash flows for the year ended December 31, 1995. These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

ARTHUR ANDERSEN LLP

Boston, Massachusetts  
April 19, 1996

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SAWYER COMPANIES

COMBINED BALANCE SHEET

	December 31,
	----- 1995 -----
ASSETS	
Current assets:	
Cash and cash equivalents .....	\$ 395,649

Accounts receivable, net of allowance for doubtful accounts of \$216,254	941,903
Inventories	85,399
Other current assets	162,854
Note receivable	90,240
Deferred income taxes	178,900
	<hr/>
Total current assets	1,854,945
	<hr/>
Property, plant and equipment, at cost:	
Land	132,978
Land improvements	151,538
Buildings	830,019
Machinery and equipment	7,190,939
Office furniture and equipment	410,607
Other	45,961
	<hr/>
	8,762,042
Less--accumulated depreciation	5,031,642
	<hr/>
Net property, plant and equipment	3,730,400
	<hr/>
Landfill, at cost:	
Landfill and landfill development	6,770,768
Less--accumulated amortization	4,621,857
	<hr/>
	2,148,911
	<hr/>
Other assets:	
Investment in land	170,000
Landfill closure trust, excluding current portion	1,240,332
Other miscellaneous assets	187,290
	<hr/>
Total other assets	1,597,622
	<hr/>
Total assets	\$9,331,878
	<hr/>
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Equipment revolving line of credit	\$1,337,186
Other notes payable	65,726
Note payable to stockholder	973,092
Current portion of long-term debt	251,443
Accounts payable	594,481
Accrued expenses	215,601
	<hr/>
Total current liabilities	3,437,529
	<hr/>
Long-term debt, excluding current portion	1,815,037
Deferred income taxes	440,700
Accrued closure and postclosure costs	1,802,005
Commitments and contingencies	
Stockholders' equity:	
Common stock	38,800
Additional paid-in capital	300,000
Retained earnings	1,497,807
	<hr/>
Total stockholders' equity	1,836,607
	<hr/>
Total liabilities and stockholders' equity	\$9,331,878
	<hr/>
	=====

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

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SAWYER COMPANIES

COMBINED STATEMENT OF INCOME AND RETAINED EARNINGS

Fiscal Year Ended  
December 31,

-----  
1995  
-----

Revenue .....	\$11,527,162
-----	
Costs and expenses:	
Cost of operations .....	7,640,502
General and administrative expenses .....	2,909,696
Depreciation and amortization .....	1,146,967
-----	
Total costs and expenses .....	11,697,165
-----	
Operating loss .....	(170,003)
-----	
Other income (expense):	
Interest income .....	63,895
Interest expense .....	(476,937)
Loss on sale of assets .....	(29,880)
Other .....	5,722
-----	
Total other expense .....	(437,200)
-----	
Loss before income taxes .....	(607,203)
Provision for income taxes .....	261,800
-----	
Net loss .....	(869,003)
Retained earnings, beginning of year .....	2,550,332
Stockholder distributions .....	(183,522)
-----	
Retained earnings, end of year .....	\$ 1,497,807
=====	

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

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SAWYER COMPANIES

COMBINED STATEMENT OF CASH FLOWS

	Fiscal Year Ended December 31,
	----- 1995 -----
Cash flows from operating activities:	
Net loss .....	\$ (869,003)
Adjustments to reconcile net loss to net cash provided by operating activities--	
Depreciation and amortization .....	1,146,967
Loss on sale of assets .....	29,880
Deferred income taxes .....	261,800
Decrease (increase) in--	
Accounts receivable .....	248,737
Inventories .....	17,544
Other current assets .....	51,654
Increase (decrease) in--	
Accounts payable .....	(667,748)
Accrued expenses .....	16,335
Deferred closure costs .....	433,634
-----	
Net cash provided by operating activities .....	669,800
-----	

Cash flows from investing activities:	
Additions to property and equipment .....	(609,181)
Proceeds from sale of assets .....	46,108
Net contributions to landfill closure trust .....	(223,089)
Advances to stockholders .....	--
Other, net .....	(312,140)
	-----
Net cash used by investing activities .....	(1,098,302)
	-----
Cash flows from financing activities:	
Net proceeds from short-term borrowings .....	2,627
Principal payments on long-term borrowings .....	(250,454)
Stockholder distributions .....	(183,522)
	-----
Net cash used by financing activities .....	(431,349)
	-----
Decrease in cash and cash equivalents .....	(859,851)
Cash and cash equivalents, beginning of year .....	1,255,500
	-----
Cash and cash equivalents, end of year .....	\$ 395,649
	=====
Supplemental disclosure of cash flow information:	
Cash paid during the year for--	
Interest .....	\$ 477,000
	=====
Income tax .....	\$ --
	=====

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

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#### SAWYER COMPANIES

#### NOTES TO COMBINED FINANCIAL STATEMENTS

#### 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Business

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

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

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

##### Principles of Combination

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

Sawyer Environmental Services  
Sawyer Environmental Recovery Facilities, Inc.

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

##### Cash and Cash Equivalents

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

#### Receivables

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

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

#### Fair Value of Financial Instruments

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

#### Inventory

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

#### Property, Plant and Equipment

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

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#### SAWYER COMPANIES

#### NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

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

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

#### Landfills

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

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

#### Accrued Closure and Postclosure Costs

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

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

#### Income Taxes

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

reflected in the income tax return.

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

#### Revenue Recognition

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

#### Credit Risk

Credit is extended to customers without collateral.

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

#### Use of Estimates in the Preparation of Financial Statements

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

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### SAWYER COMPANIES

#### NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

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

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

#### 2. INDEBTEDNESS

Long-term debt consists of the following:

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

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

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

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

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

3. COMMON STOCK

Capital stock of the Companies is as follows:

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

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SAWYER COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

4. PROFIT SHARING PLAN

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

5. SIGNIFICANT CUSTOMER

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

6. INCOME TAXES

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

Federal--		
Current	.....	\$ --
Deferred	.....	211,900
		-----
		211,900
		-----
State--		

Current	.....	--
Deferred	.....	49,900
		-----
		49,900
		-----
		\$261,800
		=====

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

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

The provision for income taxes differs from the amounts calculated by applying the statutory federal income tax rate of 34% to income before taxes due primarily to state income taxes and the effect of recognizing the Companies' change in tax status in accordance with SFAS No. 109. The Companies' net deferred tax liabilities that had to be reinstated on the balance sheet when the S corporation status was terminated were charged to the deferred tax provision in 1995.

7. COMMITMENTS AND CONTINGENCIES

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

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

SAWYER COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

7. COMMITMENTS AND CONTINGENCIES (Continued)

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

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

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

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

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

#### 8. SUBSEQUENT EVENT

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

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#### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

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

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

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

ARTHUR ANDERSEN LLP

Boston, Massachusetts  
June 20, 1997

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VERMONT WASTE AND RECYCLING MANAGEMENT, INC.

BALANCE SHEET

November 15,  
1996

ASSETS		-----
Current assets:		
Cash .....		\$ 29,771
Accounts receivable--trade, less allowance for doubtful accounts of \$19,033 .....		383,597
Prepaid expenses and other current assets .....		57,500
		-----
Total current assets .....		470,868
		-----
Property, plant and equipment, at cost:		
Land .....		9,830
Buildings and improvements .....		131,434
Machinery and equipment .....		534,933
Vehicles .....		416,011
		-----
		1,092,208
Less--accumulated depreciation .....		(617,831)
		-----
		474,377
		-----
Other assets:		
Due from stockholders .....		307,007
Goodwill, net of accumulated amortization of \$3,243 .....		7,757
Customer lists, net of accumulated amortization of \$133,936 .....		287,367
Covenants not-to-compete, net of accumulated amortization of \$318,943 .....		51,056
		-----
		653,187
		-----
		\$1,598,432
		=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt .....		\$ 704,161
Current portion of capital lease obligations .....		14,034
Accounts payable and accrued liabilities .....		253,942
Revolving line of credit .....		488,000
		-----
Total current liabilities .....		1,460,137
		-----
Capital lease obligations, less current maturities .....		17,038
		-----
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Common stock--		
Authorized--5,000 shares, \$1 par value		
Issued and outstanding--200 shares .....		200
Additional paid-in capital .....		180,010
Accumulated deficit .....		(58,953)
		-----
Total stockholders' equity .....		121,257
		-----
		\$1,598,432
		=====

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

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VERMONT WASTE AND RECYCLING MANAGEMENT, INC.

STATEMENT OF OPERATIONS

Ten and One-Half  
Months Ended  
November 15, 1996

Revenues .....	\$2,254,271
Cost of sales .....	1,818,244
Gross profit .....	436,027
General and administrative expense .....	431,824
Operating income .....	4,203
Other (income) expense:	
Interest expense .....	101,324
Interest income .....	(16,904)
Net loss .....	\$ (80,217)

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

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VERMONT WASTE AND RECYCLING MANAGEMENT, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

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

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

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VERMONT WASTE AND RECYCLING MANAGEMENT, INC.

STATEMENT OF CASH FLOWS

	Ten and One-Half Months Ended November 15, 1996
Cash flows from operating activities:	
Net loss .....	\$ (80,217)
Adjustments to reconcile net loss to net cash provided by operating activities--	
Depreciation and amortization .....	178,037
Changes in current assets and liabilities--	
Accounts receivable .....	(28,485)
Notes receivable--stockholders .....	(45,135)
Other assets .....	(31,775)
Accounts payable .....	127,753
Accrued and other liabilities .....	(12,456)

Net cash provided by operating activities .....	----- 107,722 -----
Cash flows from investing activities:	
Additions to property and equipment .....	(57,963) -----
Net cash used in investing activities .....	(57,963) -----
Cash flows from financing activities:	
Borrowings under line of credit .....	48,000
Principal payments on long-term debt .....	(22,771)
Principal payments on capital lease obligations .....	(46,614) -----
Net cash used in financing activities .....	(21,385) -----
Net increase in cash .....	28,374
Cash, beginning of year .....	1,397 -----
Cash, end of year .....	\$ 29,771 =====
Supplemental disclosure of cash flow information:	
Cash paid during the year for--	
Interest .....	\$ 95,717 =====
Income taxes .....	\$ 150 =====
Supplemental schedule of noncash operating and investing activities:	
Vehicles acquired in exchange for forgiveness of debt .....	\$ 11,711 =====

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

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VERMONT WASTE AND RECYCLING MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of Estimates

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

(b) Property, Plant and Equipment

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

Asset Classification -----	Estimated Useful Life -----
Vehicles .....	5 years

Machinery and equipment .....	3-12 years
Buildings and improvements .....	40 years

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

(c) Fair Value of Financial Instruments

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

(d) Intangible Assets

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

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

(e) Revenue Recognition

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

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VERMONT WASTE AND RECYCLING MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income Taxes

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

3. LONG-TERM DEBT

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

Howard Bank--

Note payable in monthly installments of \$6,496 including interest at 10.875%, due 2009. Secured by accounts receivable, real estate and other property. The U.S. Small Business Administration has guaranteed 75% of the note. The note is also personally guaranteed by the stockholders ..... \$ 528,069

Note payable in monthly installments of \$2,045 including interest at Wall Street Journal prime plus 1.5%, adjusted quarterly, due 2009. This interest rate was 9.75% as of November 15, 1996. Secured by accounts receivable, real estate and other property. The U.S. Small Business Administration has guaranteed 75% of the note. The note is also personally guaranteed by the stockholders ... 176,092

-----  
704,161

Principal payments due within one year .....	(28,216)
	-----
	\$ 675,945
	=====

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

As of November 15 1996, debt matures as follows:

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

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

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VERMONT WASTE AND RECYCLING MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

4. COMMITMENTS AND CONTINGENCIES

(a) Leases

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

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

=====

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

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

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

#### 5. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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#### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Superior Disposal Companies:

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

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

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

accounting principles.

ARTHUR ANDERSEN LLP

Boston, Massachusetts  
May 23, 1997

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THE SUPERIOR DISPOSAL COMPANIES  
COMBINED BALANCE SHEETS

	December 31,	
	1995	1996
ASSETS		
Current assets:		
Cash .....	\$ 766,280	\$ 9,254
Accounts receivable--trade, less allowance for doubtful accounts of approximately \$408,000 and \$213,000 in 1995 and 1996, respectively	1,878,228	1,696,172
Prepaid expenses and other current assets .....	127,433	207,011
Deferred tax asset .....	13,095	--
Total current assets .....	2,785,036	1,912,437
Property and equipment, at cost:		
Land and improvements .....	275,871	275,871
Buildings and improvements .....	1,219,684	1,413,609
Furniture, fixtures and office equipment .....	109,164	212,838
Machinery and containers .....	2,776,144	3,038,770
Vehicles .....	2,911,890	3,511,088
Equipment under capital leases .....	391,486	391,486
Less--accumulated depreciation and amortization .....	7,684,239	8,843,662
	2,821,839	3,619,523
Other assets:		
Intangible assets, net .....	4,350,531	4,412,523
Miscellaneous deposits .....	--	53,700
	4,350,531	4,466,223
	\$11,997,967	\$11,602,799
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Short-term loans .....	\$ --	\$ 1,200,000
Accounts payable .....	1,357,675	1,072,378
Accrued liabilities .....	169,520	321,950
Current maturities of long-term debt .....	1,359,861	1,748,264
Current maturities of capital lease obligations .....	61,916	68,352
Income taxes payable .....	30,341	30,341
Deferred revenue .....	411,268	368,809
Total current liabilities .....	3,390,581	4,810,094
Long-term debt, less current maturities .....	7,221,518	6,377,697
Capital lease obligations, less current maturities .....	261,422	193,070
Due to stockholder .....	--	52,000
Commitments and contingencies (Note 6)		
Stockholder's equity:		
Common stock--		

Authorized--300 shares, no par value		
Issued and outstanding--12 shares	2,500	2,500
Additional paid-in capital	116,635	116,635
Retained earnings	1,284,726	330,218
Less--treasury stock, at cost	(279,415)	(279,415)
	-----	-----
Total stockholder's equity	1,124,446	169,938
	-----	-----
	\$11,997,967	\$11,602,799
	=====	=====

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

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THE SUPERIOR DISPOSAL COMPANIES  
COMBINED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	1995	1996
	-----	-----
Revenues	\$9,240,996	\$15,130,702
Costs and expenses:		
Cost of services	5,945,827	10,361,812
General and administrative	1,124,517	2,429,623
Depreciation and amortization	855,548	1,192,065
	-----	-----
	7,925,892	13,983,500
Operating income	1,315,104	1,147,202
Other expenses:		
Interest expense	437,633	818,950
Loss on sale of equipment	--	17,347
	-----	-----
	437,633	836,297
Income before provision for income taxes	877,471	310,905
Provision for income taxes	29,346	32,724
	-----	-----
Net income	\$ 848,125	\$ 278,181
	=====	=====

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

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THE SUPERIOR DISPOSAL COMPANIES  
COMBINED STATEMENTS OF STOCKHOLDER'S EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Stockholder's Equity
	-----	-----	-----	-----	-----
Balance, December 31, 1994	\$2,000	\$116,635	\$ 1,142,041	\$ (279,415)	\$ 981,261
Net income	--	--	848,125	--	848,125
Issuance of common stock	500	--	--	--	500
Distributions to stockholder	-	--	(705,440)	--	(705,440)

Balance, December 31, 1995	2,500	116,635	1,284,726	(279,415)	1,124,446
Net income	--	--	278,181	--	278,181
Distributions to stockholder	--	--	(1,232,689)	--	(1,232,689)
Balance, December 31, 1996	\$2,500	\$116,635	\$ 330,218	\$ (279,415)	\$ 169,938

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

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THE SUPERIOR DISPOSAL COMPANIES  
COMBINED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	1995	1996
Cash flows from operating activities:		
Net income	\$ 848,125	\$ 278,181
Adjustments to reconcile net income to net cash provided by operating activities--		
Provision for bad debts, net of writeoffs	333,288	(195,280)
Depreciation and amortization	855,548	1,192,065
Loss on sale of equipment	--	17,347
Deferred income tax	(13,095)	13,095
Changes in assets and liabilities, net of effects of acquisitions--		
Accounts receivable	(1,570,719)	377,336
Other current assets	(92,201)	(79,578)
Accounts payable	978,772	(285,297)
Accrued and other liabilities	(95,524)	152,430
Income taxes payable	30,341	--
Deferred revenue	223,536	(42,459)
	649,946	1,149,659
Net cash provided by operating activities	1,498,071	1,427,840
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(3,007,296)	(460,000)
Additions to property and equipment	(636,912)	(1,110,656)
Proceeds from sale of property and equipment	--	52,074
Decrease (increase) in other assets	60,884	(33,261)
Net cash used in investing activities	(3,583,324)	(1,551,843)
Cash flows from financing activities:		
Due to stockholder	--	52,000
Proceeds from short-term borrowings	--	1,200,000
Proceeds from long-term borrowings	5,934,083	930,000
Principal payments on long-term debt	(2,542,323)	(1,520,418)
Principal payments on capital lease obligations	(51,001)	(61,916)
Proceeds from issuance of common stock	500	--
Distributions to stockholder	(705,440)	(1,232,689)
Net cash provided by (used in) financing activities	2,635,819	(633,023)
Net increase (decrease) in cash	550,566	(757,026)
Cash, beginning of year	215,714	766,280
Cash, end of year	\$ 766,280	\$ 9,254
Supplemental disclosure of cash flow information:		
Cash paid during the year for--		
Interest	\$ 411,525	\$ 827,059
Income taxes	\$ 8,820	\$ 32,724
Supplemental disclosure of noncash investing and financing activities--		

Acquisition of property and equipment under capital leases .....	\$ 141,441	\$ --
	=====	=====
Summary of acquisitions--		
Fair value of assets acquired .....	\$ 6,629,006	\$ 595,000
Cash paid .....	(3,007,296)	(460,000)
	-----	-----
Liabilities assumed and notes payable to sellers .....	\$ 3,621,710	\$ 135,000
	=====	=====

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

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THE SUPERIOR DISPOSAL COMPANIES  
NOTES TO COMBINED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(b) Revenue Recognition

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

(c) Property and Equipment

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

Estimated

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

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

(d) Fair Value of Financial Instruments

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

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THE SUPERIOR DISPOSAL COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(e) Intangible Assets

Goodwill is the cost in excess of fair value of identifiable assets of acquired businesses and is amortized on the straight-line method over periods not exceeding 40 years. Other intangible assets include covenants not to compete and organization costs and are amortized on the straight-line method over their estimated useful lives, typically no more than 15 and 5 years, respectively. The Companies continually evaluate whether events and circumstances have occurred subsequent to an acquisition that indicate the remaining estimated useful life or carrying value of these intangible assets may warrant revision. When factors indicate that these assets should be evaluated for possible impairment, the Companies use an estimate of the related business segment's undiscounted cash flows over the remaining life of the asset in measuring recoverability.

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

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

(f) Income Taxes

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

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

(g) Accounting Principles

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

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THE SUPERIOR DISPOSAL COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

3. ACQUISITIONS OF NEW BUSINESSES

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

Kerkim acquired the assets of W.M. Speigel Sons, Inc. in September 1995 for a total purchase price of \$2,400,000. The fair value assigned to fixed assets acquired and covenants not-to-compete were approximately \$300,000 and \$200,000, respectively. The excess purchase price over the assets acquired was assigned to goodwill.

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

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

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

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

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

4. SHORT-TERM LOANS

The short-term loans bear interest at rates ranging from 8% to 9.125% per

annum and are secured by all assets of Superior and a certain loan by a personal guarantee of the sole stockholder.

5. LONG-TERM DEBT

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

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

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THE SUPERIOR DISPOSAL COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

5. LONG-TERM DEBT (Continued)

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

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

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

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

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

6. COMMITMENTS AND CONTINGENCIES

(a) Leases

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

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

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

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

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THE SUPERIOR DISPOSAL COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

6. COMMITMENTS AND CONTINGENCIES (Continued)

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

(b) Litigation

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

7. INCOME TAXES

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

	December 31,	
	-----	-----
	1995	1996
	-----	-----
Federal--		
Current .....	\$ 30,341	\$ --

Deferred	.....	(13,095)	13,095
		-----	-----
		17,246	13,095
State	.....	12,100	19,629
		-----	-----
Total	.....	\$ 29,346	\$32,724
		=====	=====

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

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

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

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

#### 8. RELATED PARTY TRANSACTIONS

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

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### THE SUPERIOR DISPOSAL COMPANIES

#### NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

#### 8. RELATED PARTY TRANSACTIONS (Continued)

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

#### 9. SUBSEQUENT EVENTS

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

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

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

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

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

ARTHUR ANDERSEN LLP

Boston, Massachusetts  
July 25, 1997

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

BALANCE SHEET

	December 31, 1995	June 30, 1996
	-----	-----
		(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents .....	\$ 7,271,096	\$ 5,296,980
Accounts receivable--trade .....	415,547	591,185
State and federal aid receivable .....	946,418	840,603
Prepaid expenses .....	--	67,011
	-----	-----
Total current assets .....	8,633,061	6,795,779
	-----	-----
Property, plant and equipment, at cost:		
Land .....	223,861	235,561
Landfills .....	5,252,146	5,741,167
Land improvements .....	698,830	698,830
Buildings .....	2,642,443	2,694,693
Machinery and equipment .....	3,994,023	3,998,733
	-----	-----
	12,811,303	13,368,984
Less--accumulated depreciation and amortization .....	1,928,116	2,142,468
	-----	-----
	10,883,187	11,226,516
	-----	-----

	\$ 19,516,248	\$18,022,295
	=====	=====

LIABILITIES AND FUND DEFICIT

Current liabilities:		
Bond anticipation notes payable .....	\$ 11,758,648	\$11,361,098
Current maturities of long-term debt .....	322,800	326,000
Accounts payable .....	717,755	75,193
Accrued liabilities .....	371,621	499,871
Accrued closure and postclosure costs, current portion .....	366,531	122,640
	-----	-----
Total current liabilities .....	13,537,355	12,384,802
	-----	-----
Long-term debt, less current maturities .....	4,831,600	4,505,600
	-----	-----
Accrued closure and postclosure costs, less current portion .....	7,773,402	7,794,081
	-----	-----
Other long-term liabilities .....	127,926	118,961
	-----	-----
Fund deficit:		
Contributed capital .....	909,790	909,790
Accumulated deficit .....	(7,663,825)	(7,690,939)
	-----	-----
Total fund deficit .....	(6,754,035)	(6,781,149)
	-----	-----
	\$ 19,516,248	\$18,022,295
	=====	=====

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

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

STATEMENT OF OPERATIONS

	Year Ended December 31, 1995	Six Months Ended June 30, 1996
	-----	-----
		(Unaudited)
Service revenues .....	\$4,184,317	\$1,539,321
State and federal aid .....	871,004	--
	-----	-----
Net revenues .....	5,055,321	1,539,321
	-----	-----
Operating expenses:		
Cost from operations .....	3,373,310	1,076,742
General and administrative .....	213,134	74,047
Depreciation and amortization .....	447,401	214,352
	-----	-----
	4,033,845	1,365,141
	-----	-----
Income from operations .....	1,021,476	174,180
	-----	-----
Other (income) expenses:		
Interest income .....	(334,258)	(140,924)
Interest expense .....	577,526	353,072
Loss on sale of equipment .....	16,855	--
Other income .....	(110,169)	(10,854)
	-----	-----
	149,954	201,294
	-----	-----
Net income (loss) .....	\$ 871,522	\$ (27,114)
	=====	=====

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

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CLINTON COUNTY, NEW YORK--  
SOLID WASTE DEPARTMENT ENTERPRISE FUND  
STATEMENT OF FUNDS DEFICIT

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

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

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CLINTON COUNTY, NEW YORK--  
SOLID WASTE DEPARTMENT ENTERPRISE FUND  
STATEMENT OF CASH FLOWS

	Year Ended December 31, 1995	Six Months Ended June 30, 1996  (Unaudited)
	-----	-----
Cash flows from operating activities:		
Net income (loss) .....	\$ 871,522	\$ (27,114)
	-----	-----
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities--		
Depreciation and amortization .....	447,401	214,352
Loss on sale of equipment .....	16,855	--
Changes in assets and liabilities--		
Accounts receivable .....	157,083	(175,638)
State and federal aid receivable .....	(790,263)	105,815
Prepaid expenses .....	--	(67,011)
Accounts payable .....	428,814	(642,562)
Accrued closure and postclosure costs .....	(1,050,610)	(223,212)
Accrued liabilities .....	124,778	119,285
	-----	-----
	(665,942)	(668,971)
	-----	-----
Net cash provided by (used in) operating activities .....	205,580	(696,085)
	-----	-----
Cash flows from investing activities:		
Additions to property and equipment .....	(6,030,603)	(557,681)
Proceeds from sale of equipment .....	67,366	--
	-----	-----
Net cash used in investing activities .....	(5,963,237)	(557,681)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of bond anticipation notes .....	6,690,000	--
Principal payments on bond anticipation notes .....	(402,320)	(397,550)

Principal payments on long-term debt .....	(292,800)	(322,800)
	-----	-----
Net cash provided by (used in) financing activities .....	5,994,880	(720,350)
	-----	-----
Net increase (decrease) in cash and cash equivalents .....	237,223	(1,974,116)
Cash and cash equivalents, beginning of period .....	7,033,873	7,271,096
	-----	-----
Cash and cash equivalents, end of period .....	\$ 7,271,096	\$ 5,296,980
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest .....	\$ 531,983	\$ 191,412
	=====	=====

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

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

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

1. OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

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

(b) Cash and Cash Equivalents

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

(c) Property, Plant and Equipment

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

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

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

Capitalized landfill costs include expenditures for land and related airspace, permitting costs and preparation costs. Landfill permitting and preparation costs represent only direct costs related to these activities including legal, engineering and construction. Management routinely reviews its

investment in operating landfills, transfer stations and other significant facilities to determine whether the costs of these investments are realizable.

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

(d) Accrued Closure and Postclosure Costs

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(e) General and Administrative Expenses

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

(f) Income Taxes

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

(g) Fair Value of Financial Instruments

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

(h) Use of Estimates

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

(i) Impairment of Long-Lived Assets

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

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

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

3. LONG-TERM DEBT

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

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

Bond anticipation notes must be renewed annually. As of December 31, 1995, the Fund had eight notes outstanding with principal amounts ranging from \$23,000 to \$6.4 million. These notes bear interest at rates ranging from 3.85 percent to 4.59 percent.

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

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

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

Amount  
-----  
(unaudited)

Fiscal Year Ended June 30,	
1997 .....	\$11,687,098
1998 .....	326,000
1999 .....	354,000
2000 .....	357,200
2001 .....	384,200
Thereafter .....	3,084,200
	-----
	\$16,192,698
	=====

4. RETIREMENT BENEFITS

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

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

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

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

5. SUBSEQUENT EVENT

On July 10, 1996, the Fund entered into a 25-year operation, management and lease agreement with Casella Waste Systems, Inc. (Casella). Under this agreement, Casella will lease all of the Fund's non-hazardous solid waste system facilities, which includes the fully permitted Subtitle D lined landfill, one transfer station, one recycling facility, 11 convenience stations and all of the equipment associated with these facilities. As part of this agreement, Casella will pay the Fund the total sum of \$10,501,284 payable in 28 equal quarterly installments, commencing with the closing date. In addition, in accordance with the agreement, Casella will be responsible for, and pay for, the capping and closing of the Fund's Schuyler Falls, New York, unlined landfill in 1997. The Fund will be responsible for postclosure care of the unlined landfill. The total cost of this landfill closure project is currently estimated at \$3,200,000.

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H.C. GOBIN, INC.

BALANCE SHEETS

	December 31,		June 30,
	1995	1996	1997
	(Unaudited)	(Unaudited)	(Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents .....	\$ 40,670	\$ 81,460	\$ 156,423
Accounts receivable--trade, less allowance for doubtful accounts of approximately \$5,000, \$45,000 and \$10,000 .....	442,085	642,585	567,109
Accounts receivable--employee .....	--	800	--
Deferred income taxes .....	--	43,740	--
Inventory .....	65,005	61,332	56,383
Prepaid expenses .....	62,245	47,500	51,322
Prepaid insurance .....	33,955	25,904	26,535
Note receivable--stockholder .....	--	24,535	24,535
Deposits .....	5,000	--	--
Total current assets .....	648,960	927,856	882,307
Property and equipment, at cost:			
Rolling stock .....	467,716	2,601,229	2,443,433
Buildings .....	20,559	148,053	149,053
Leasehold improvements .....	40,089	45,877	45,877
Machinery and equipment .....	2,721,313	1,581,021	1,542,968
Assets under capital lease .....	--	18,255	18,255
	3,249,677	4,394,435	4,199,586
Less--accumulated depreciation .....	1,650,963	1,521,185	1,587,185
Property and equipment, net .....	1,598,714	2,873,250	2,612,401
Other assets:			
Customer list, net of accumulated amortization .....	11,040	358,727	204,815
Goodwill, net of accumulated amortization .....	--	48,762	46,920
Covenant, net of accumulated amortization .....	4,525	119,025	10,273
Loan fees, net of accumulated amortization .....	2,820	63,648	61,160
Management systems .....	32,838	37,679	35,585
Deposits, net of current .....	600	6,150	15,850
Lease payments .....	70,444	--	--
	122,267	633,991	374,603
	\$2,369,941	\$4,435,097	\$3,869,311
	=====	=====	=====

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

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H.C. GOBIN, INC.

BALANCE SHEETS

(Continued)

	December 31,		June 30,
	1995	1996	1997

	----- (Unaudited)	----- (Unaudited)	----- (Unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Line of credit .....	\$ 65,000	\$ 249,952	\$ 215,417
Current maturities of long-term debt, capital lease obligations and due to stockholders .....	365,249	328,196	328,196
Accounts payable .....	272,850	860,544	1,057,678
Accrued payroll and related expenses .....	16,059	30,192	25,300
State income tax payable .....	1,410	1,903	3,587
Deferred revenue .....	6,174	31,739	36,829
401K pension plan .....	476	678	400
Accrued interest .....	--	17,057	20,687
Other accrued expenses .....	--	1,392	--
	-----	-----	-----
Total current liabilities .....	727,218	1,521,653	1,688,094
	-----	-----	-----
Long-term debt, less current maturities .....	437,864	2,267,469	2,093,227
	-----	-----	-----
Capital lease obligations, less current maturities .....	461,820	10,737	6,767
	-----	-----	-----
Deferred income taxes .....	94,325	--	31,138
	-----	-----	-----
Due to stockholders, less current maturities .....	7,388	5,395	2,766
	-----	-----	-----
Stockholders' equity:			
Common stock, no par value			
Authorized--3,000 shares			
Issued and outstanding--240 shares .....	124,800	124,800	124,800
Additional paid-in capital .....	50,422	50,422	50,422
Treasury stock--cost .....	(377,585)	(377,585)	(377,585)
Retained earnings .....	1,240,895	832,206	249,682
	-----	-----	-----
Total stockholders' equity .....	1,038,532	629,843	47,319
	-----	-----	-----
	\$2,767,147	\$4,435,097	\$3,869,311
	=====	=====	=====

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

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H.C. GOBIN, INC.

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	Fiscal Year Ended December 31,		Six Months Ended June 30,
	1995	1996	1997
	----- (Unaudited)	----- (Unaudited)	----- (Unaudited)
Net revenues .....	\$3,676,850	\$4,871,867	\$2,567,416
	-----	-----	-----
Operating expenses:			
Cost from operations .....	2,507,023	3,614,729	2,070,017
General and administrative .....	539,669	1,029,576	473,338
Depreciation and amortization .....	245,993	393,652	203,917
	-----	-----	-----
	3,292,685	5,037,957	2,747,272
	-----	-----	-----
Income from operations .....	384,165	(166,090)	(179,856)
	-----	-----	-----
Other (income) expenses:			
Interest income .....	(4,403)	(6,873)	--

Interest expense .....	168,139	247,900	138,797
Sale of assets .....	(20,397)	17,990	157,935
Loss on investment .....	--	--	29,451
Penalty on capital lease conversion .....	--	118,330	--
	-----	-----	-----
	143,339	377,347	326,183
	-----	-----	-----
Income before provision for income taxes .....	240,826	(543,437)	(506,039)
Provision for income taxes .....	20,870	(134,748)	76,485
	-----	-----	-----
Net income (loss) .....	\$ 219,956	\$ (408,689)	\$ (582,524)
	=====	=====	=====
Retained earnings, beginning of year .....	1,020,939	1,240,895	832,206
	-----	-----	-----
Retained earnings, end of period .....	\$1,240,895	\$ 832,206	\$ 249,682
	=====	=====	=====

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

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H.C. GOBIN, INC.

STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		Six Months Ended
	December 31,		June 30,
	1995	1996	1997
	-----	-----	-----
	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities:			
Net income (loss) .....	\$ 219,956	\$ (408,689)	\$ (582,524)
	-----	-----	-----
Adjustments to reconcile net income (loss) to net cash provided by operating activities--			
Depreciation and amortization .....	245,993	393,652	203,917
(Gain) loss on sale of equipment .....	(20,397)	17,990	157,935
Provision (benefit) for deferred income taxes ..	17,760	(138,065)	74,878
Changes in assets and liabilities--			
Accounts receivable .....	(128,923)	(200,940)	76,276
Notes receivable .....	13,829	(24,535)	--
Prepaid expenses .....	(10,180)	18,100	(4,453)
Inventories .....	(7,521)	3,673	4,949
Other current assets .....	(16,939)	(611,148)	(9,699)
Accounts payable .....	77,038	587,694	197,135
Accrued expenses and other liabilities .....	9,384	58,842	3,842
	-----	-----	-----
	180,044	105,263	704,780
	-----	-----	-----
Net cash provided by (used in) operating activities .....	400,000	(303,426)	122,256
	-----	-----	-----
Cash flows from investing activities:			
Additions to property and equipment .....	(698,197)	(1,190,187)	(17,832)
Proceeds from sale of equipment .....	7,275	14,845	185,918
	-----	-----	-----
Net cash provided by (used in) investing activities .....	(690,922)	(1,175,342)	168,086
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance debt .....	962,899	2,429,483	--
Principal payment on line of credit .....	--	184,952	(34,535)
Principal payments on long-term debt .....	(304,680)	(1,094,980)	(180,844)
Purchase of treasury stock .....	(377,585)	--	--
	-----	-----	-----
Net cash provided by (used in) financing activities .....	280,634	1,519,455	(215,379)
	-----	-----	-----

Net increase (decrease) in cash and cash equivalents	(10,288)	40,687	74,963
Cash and cash equivalents, beginning of period	51,061	40,773	81,460
Cash and cash equivalents, end of period	\$ 40,773	\$ 81,460	\$ 156,423
Supplemental disclosures of cash flow information:			
Cash paid during the year for--			
Interest	\$ 168,139	\$ 230,843	\$ 135,167
Income taxes	\$ 1,935	\$ 2,824	\$ --

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

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

1. OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

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

(b) Depreciation

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

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

(c) Income Taxes

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

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

Under the asset and liability method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax

basis of assets and liabilities and are measured using enacted tax rates.

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

Summaries of the provisions for state income taxes are as follows:

	December 31,		June 30, 1997
	1995	1996	
Current .....	\$ 3,110	\$ 3,317	\$ 1,607
Deferred .....	17,760	(138,065)	74,878
Provision (Benefit) for income taxes .....	<u>\$20,870</u>	<u>\$ (134,748)</u>	<u>\$76,485</u>

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net deferred tax liabilities in the accompanying balance sheets include the following components:

	December 31,		June 30, 1997
	1995	1996	
Deferred tax liabilities arising from:			
Temporary differences--principally			
Cash to accrual adjustment .....	\$11,200	\$ (21,390)	\$ 115,564
Capital leases .....	83,125	--	--
Deferred tax assets arising from:			
Net operating loss carryforward .....	--	(22,350)	(84,426)
Net deferred tax liability (asset) .....	<u>\$94,325</u>	<u>\$ (43,740)</u>	<u>\$ 31,138</u>

Taxes paid to the State of Vermont were \$150, \$150 and \$0 during the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997, respectively. New Hampshire taxes were \$1,935, \$2,824 and \$(77) during the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997, respectively. State of New York taxes were \$300, \$0 and \$0 during the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997, respectively.

(d) Amortization

The Company is currently amortizing the following intangible costs over

various years using the straight line method.

Items	Years
Loan Fees .....	15
Customer List .....	15
Organizational cost .....	5
Covenant Not to Compete .....	15
Goodwill .....	15

The amortization expense was \$4,874, \$76,851 and \$834,496 for the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997, respectively.

(e) Inventories

Inventories consist of service parts. Inventory is stated at the lower of cost or market on the first-in, first-out (FIFO) basis.

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

3. LONG-TERM DEBT

Long-term debt at December 31, 1995 and 1996 and June 30, 1997, consisted of the following:

	December 31,		June 30, 1997
	1995	1996	
Non-interest bearing demand note due individuals, unsecured. Payable September, 1996. ....	\$ 37,500	\$ --	\$ --
10.5% note to First NH Bank. Secured by assets of the Company. Monthly payments of \$1,927, principal and interest. Due March 1999. ....	61,684	--	--
13% note due shareholder. Secured by a vehicle. Monthly payments of \$505, principal and interest. Due 1998. ....	12,150	7,389	4,766
11.4% note due individual. Secured by assets of the Company. Monthly payments of \$4,000, principal and interest. Due 2012 .....	353,995	346,021	341,821
Variable note at 1.5% over prime to First NH Bank. Secured by assets of the Company. Monthly payments of \$1,600, principal and interest. Due 1997. ....	32,394	--	--
Non-interest bearing note due individual. Unsecured. Monthly payments of \$1,000, principal only. Due 1999. ....	36,000	31,000	25,000
9.2% note due to First Essex Bank. Secured by assets of the company and shareholder. Monthly payments of \$32,708, principal and interest. ....	--	1,838,743	1,737,194
9.25% note due to First Essex Bank. Secured by assets purchases. Monthly payments of \$8,360, principal and interest. Due April, 2001. ....	--	361,692	300,037
Note due Ford Motor Credit. Secured by asset			

purchased. Monthly payments of \$298, principal.			
Due in .....	--	12,213	11,372
	533,723	2,597,058	2,420,190
Less Current Portion .....	88,471	324,194	324,197
	-----	-----	-----
	\$445,252	\$2,272,864	\$2,095,993
	=====	=====	=====

The Notes Payable were extinguished as part of the acquisition of H.C. Gobin by Casella Waste Systems.

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

5. RELATED PARTY TRANSACTIONS

The Company has entered into a lease arrangement for office space and equipment with a related party. The lease is on a month to month basis cancelable by either party. Present monthly rent has been set at \$1,300. During the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997, the Company paid the lessor \$15,600, \$15,600 and \$7,800, respectively.

6. LINE OF CREDIT

At December 31, 1995 the Company had a line of credit from First NH Bank with a maximum borrowing limit of \$100,000. Borrowings on this line of credit were \$65,000 on December 31, 1995. This line was guaranteed by various assets of the Company and personally by the majority stockholder.

In February, 1996, the First NH Bank line of credit was repaid and closed. It was replaced with a line of credit at the First Essex Bank with a maximum borrowing limit of \$250,000. Borrowings on this line were \$249,952 and \$215,417 at December 31, 1996 and June 30, 1997, respectively. This line is guaranteed by various assets of the Company and personally by the majority stockholder.

7. NOTES RECEIVABLE

Notes receivable at December 31, 1995 and 1996 and June 30, 1997, consisted of the following:

	December 31,		June 30,
	1995	1996	1997
	-----	-----	-----
Unsecured note from shareholders. No stated interest or repayment terms. ....	\$ --	\$24,535	\$24,535
	--		
	-----	-----	-----
Less Current Portion .....	--	24,535	24,535
	-----	-----	-----
	\$ --	\$ --	\$ --
	=====	=====	=====

## 8. PERFORMANCE BONDING

The Company has been approved by Frontier Insurance Company for performance bonding coverage not to exceed \$3.5 million including bid bonds at an annual usage rate of 1.65% of any portion of the coverage used. As of June 30, 1997, the Company had drawn down on the available coverage in the amount of \$185,000 to secure various projects.

## 9. STOCK REDEMPTION

The majority stockholders of the Company have entered into a stock redemption plan with the Company. The agreement was effective December 31, 1991 and was executed on January 1, 1995.

The Company has entered into a loan agreement with the stockholders redeeming their stock under the following terms:

Principal loan amount	.....	\$363,415
Interest rate	.....	11.4%
Term of loan	.....	207 payments

The loan is secured by various equipment of the Company. See Note 3 for additional details.

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

## 10. BUSINESS DEVELOPMENT

The Company is currently involved in various business development projects within New Hampshire and Vermont. These projects are in the research and development stages. Expenses related to these development projects are included as current year expenses within the statement of operations and retained earnings line items. Costs incurred during the years ended December 31, 1995 and 1996 and the six months ended June 30, 1997 were approximately \$14,000, \$13,000 and \$1,000, respectively.

## 11. PREPAID EXPENSES

The Company has elected to prepay various expenses in order to more effectively manage its operating affairs. Prepaid expenses as of December 31, 1995 and 1996 and June 30, 1997 are as follows:

	December 31,		June 30,
	1995	1996	1997
	-----	-----	-----
Licenses	\$ 8,230	\$12,132	\$19,995
Performance Bond	--	4,175	3,628
Advertising	--	2,087	1,206
Insurance	24,259	25,904	22,907
	-----	-----	-----
Other	15,753	--	6,124
	-----	-----	-----

\$48,242	\$44,298	\$53,860
=====	=====	=====

12. CONTRACT COSTS

The Company incurs various costs related to preparation and implementation of long-term contracts. Management has elected to amortize these initial costs over the term of the contract. As of December 31, 1995 and 1996 and June 30, 1997, prepaid contract costs were \$38,262, \$29,106 and \$23,997 respectively. These costs relate to contracts entered into in 1995, 1996, 1997 and future years.

13. BUSINESS ACQUISITION

During March of 1996 the Company acquired a commercial hauling business. The acquisition price was \$1,270,665 subject to adjustment based on a formula outlined in the purchase and sales agreement. The acquisition was financed through First Essex Bank, with various credit facilities which included retirement of First NH Bank debt, and capital lease obligations.

14. OBLIGATIONS UNDER CAPITAL LEASES

The Company is the lessee of vehicles and equipment under capital leases expiring in various years through 2000. The assets and liabilities under capital leases are recorded at the lower of the present values of the minimum lease payments or the fair values of the assets. The assets are included in property and equipment and are depreciated over their estimated useful lives.

As of June 30, 1997, minimum future lease payments under capital leases are:

Year Ended June 30,	
- - - - -	
1998 .....	\$ 3,970
1999 .....	3,970
2000 .....	2,826
	-----
Total minimum lease payments .....	\$10,766
	=====

15. 401K PENSION PLAN

The Company has a 401K type pension and profit sharing plan for eligible employees. Employees are eligible to participate in the plan if they have been employed by the Company for 1 year. Generally, employees can defer up to 15% of their salary into the plan, not to exceed \$9,240. The employer can make a discretionary contribution for the employees based on profits.

16. SUBSEQUENT EVENT

On August 1, 1997, Casella Waste Systems, Inc. and subsidiaries (CWS) acquired all of the assets and assumed all of the liabilities of the Company. The purchase price of approximately \$4,880,000 consisted of \$1,421,397 in cash,

a \$300,000 subordinated note to the seller and \$3,158,603 in liabilities and closing costs paid/assumed at closing.

17. CONTINGENT LIABILITY

The Company has conducted business from the rental location referred to in Note 5 for approximately 17 years. Due to use of underground storage tanks for storage of bulk fuel and lubricants it is probable that some soil contamination has occurred for which the Company would be liable. The cost of this remediation is not reasonably estimable at this time.

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UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Company and the Selling Stockholders have agreed to sell to each of the Underwriters named below, and each of such Underwriters for whom Goldman, Sachs & Co., Donaldson, Lufkin & Jenrette Securities Corporation and Oppenheimer & Co., Inc. are acting as representatives, has severally agreed to purchase from the Company and the Selling Stockholders the respective number of shares of Class A Common Stock set forth opposite its name below:

Underwriter	Shares of Class A Common Stock
-----	
Goldman, Sachs & Co. ....	
Donaldson, Lufkin & Jenrette Securities Corporation .....	
Oppenheimer & Co., Inc. ....	
Total .....	=====

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all of the shares of Class A Common Stock offered hereby, if any are taken.

The Underwriters propose to offer the shares of Class A Common Stock in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus and in part to certain securities dealers at such price less a concession of \$ per share. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$ per share to certain other brokers and dealers. After the shares of Class A Common Stock are released for sale to the public, the offering price and other selling terms may from time to time be varied by the representatives.

In connection with the Offering, the Underwriters may purchase and sell the Class A Common Stock in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover syndicate short positions in connection with the Offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Class A Common Stock; and syndicate short positions involve the sale by the Underwriters of a greater number of shares of Class A Common Stock than they are required to purchase from the Company in the Offering. The Underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers in respect of the securities sold in the Offering for their account may be reclaimed by the syndicate if such shares of Class A Common Stock are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Class A Common Stock, which may be higher than the price that might otherwise prevail in the open market; and these activities, if commenced, may be discontinued at any time. These transactions may be effected on the Nasdaq National Market, in the

over-the-counter market or otherwise.

The Selling Stockholders have granted the Underwriters an option exercisable for 30 days after the date of this Prospectus to purchase up to an aggregate of additional shares of Class A Common Stock solely to cover over-allotments, if any. If the Underwriters exercise their over-allotment option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of shares of Class A Common Stock to be purchased by each of them bears to the shares of Class A Common Stock offered hereby.

The Company, its directors and executive officers and certain of its stockholders have agreed that, during the period beginning from the date of this Prospectus and continuing to and including the date 180 days after the date of this Prospectus, they will not offer, sell, contract to sell or otherwise dispose of any securities of the Company (other than pursuant to employee stock option plans existing on the date of this Prospectus and other than to issue shares upon the exercise of outstanding warrants) which are substantially similar to the shares of Class A Common Stock or which are convertible or exchangeable

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into securities which are substantially similar to the shares of Class A Common Stock, without the prior written consent of the representatives except for the Class A Common Stock offered in connection with this Offering. In addition, the Company may issue shares of Class A Common Stock in connection with any acquisition of another company if the terms of such issuance provide that such Class A Common Stock shall not be resold prior to the expiration of the 180-day period referenced in the preceding sentence.

The representatives of the Underwriters have informed the Company that they do not expect sales to accounts over which the Underwriters exercise discretionary authority to exceed five percent of the total number of shares of Class A Common Stock offered by them.

Prior to this Offering, there has been no public market for the Class A Common Stock. The initial public offering price will be negotiated among the Company and the representatives. Among the factors to be considered in determining the initial public offering price of the Class A Common Stock, in addition to prevailing market conditions, will be the Company's historical performance, estimates of the business potential and earnings prospects of the Company, an assessment of the Company's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

Application has been made to have the Class A Common Stock approved for quotation on the Nasdaq National Market under the symbol "CWST."

The Company and the Selling Stockholders agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act.

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No person has been authorized to give any information or to make any representations other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is

unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

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Through and including \_\_\_\_\_, 1997 (the 25th day after the date of this Prospectus), all dealers effecting transactions in the Common Stock, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as Underwriters and with respect to their unsold allotments or subscriptions.

Shares

Casella Waste Systems, Inc.

Class A Common Stock  
 (\$0.01 par value)

-----  
 [GRAPHIC]  
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Goldman, Sachs & Co.  
 Donaldson, Lufkin & Jenrette

S e c u r i t i e s   C o r p o r a t i o n

Oppenheimer & Co., Inc.

Representatives of the Underwriters

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the various expenses, all of which will be borne by the Registrant, in connection with the sale and distribution of the securities being registered, other than the underwriting discounts and commissions. All amounts shown are estimates except for the Securities and Exchange Commission registration fee, the NASD filing fee and the Nasdaq National Market listing fee.

Nature of Fee or Expense	Amount
SEC registration fee .....	\$ 25,614
NASD filing fee .....	8,953
Nasdaq National Market listing fee .....	50,000
Transfer Agent and Registrar fees .....	15,000
Accounting fees and expenses .....	200,000
Legal fees and expenses .....	300,000
Financial advisory fee .....	140,000
Printing and engraving, and distribution expenses .....	135,000
Miscellaneous .....	125,433
Total .....	\$1,000,000

Item 14. Indemnification of Directors and Officers

Section 145 of the General Corporation Law of the State of Delaware ("Section 145") permits a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

In the case of an action by or in the right of the corporation, Section 145 permits the corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to

the best interests of the corporation. No indemnification may be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which the Court of Chancery or such other court shall deem proper.

To the extent that a director, officer, employee, or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in the preceding two paragraphs, Section 145 requires that he be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

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Section 145 provides that expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit, or proceeding may be paid by the corporation in advance of the final disposition of such action, suit, or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in Section 145.

Article Fifth of the Company's Amended and Restated Certificate of Incorporation eliminates the personal liability of the directors of the Company to the Company or its stockholders for monetary damages for breach of fiduciary duty as directors, with certain exceptions, and Article Sixth requires indemnification of directors and officers of the Company, and for advancement of litigation expenses to the fullest extent permitted by Section 145. Article Sixth of the Company's By-Laws provides for indemnification of the Company's officers and directors to the fullest extent permitted by Section 145 and other applicable laws as currently in effect and as they may be amended in the future.

The Underwriting Agreement filed herewith as Exhibit 1 provides for indemnification of the directors, certain officers, and controlling persons of the Company by the Underwriters against certain civil liabilities, including liabilities under the Securities Act. The Company has also entered into agreements with its directors and executive officers providing for indemnification in certain circumstances.

Under Section 8(b) of the Underwriting Agreement, the Underwriters are obligated, under certain circumstances, to indemnify the Company and each Selling Stockholder against certain liabilities, including liabilities under the Securities Act. Reference is made to the form of Underwriting Agreement filed as Exhibit 1 hereto.

### Item 15. Recent Sales of Unregistered Securities

In the three years preceding the filing of this Registration Statement, the Registrant has issued the following securities that were not registered under the Securities Act:

In October 1994, the Registrant issued 450,000 shares of its Class A Common Stock to National Waste Industries, Inc. as compensation for services rendered in connection with certain landfill transactions. These shares were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act.

In April 1995, the Registrant issued warrants to Len Fosbrook and Bill Fosbrook to purchase an aggregate of 100,000 shares of the Class A Common Stock of the Registrant, in connection with the purchase by the Registrant of the business of Springer Sanitation Services, Inc. The exercise price of the warrants was \$6.00 per share, and the warrants were valued for purposes of the acquisition at \$4.00 per share. These warrants were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act. In September 1997, Len Fosbrook exercised warrants to purchase 25,000 shares of the Registrant's Class A Common Stock at an exercise price of \$6.00 per share. In September, 1997, the Registrant exercised its

right to call warrants to purchase 75,000 shares of Class A Common Stock of the Registrant which remained unexercised as of such time at a price of \$7.00 per share.

In December 1995, the Registrant issued 1,922,169 shares of its Series D Convertible Preferred Stock to a group of investors consisting of Norwest Equity Partners V, Weston Presidio Capital II, L.P., BCI Growth III, L.P., FSC Corp., Thomas S. Shattan and Prudential Securities Group, Inc., at a price of \$7.00 per share. These shares were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act. In connection with this transaction, the Registrant also issued a warrant to Prudential Securities Incorporated, which served as placement agent in connection with such transaction, to purchase 96,108 shares of the Registrant's Class A Common Stock at an exercise price of \$7.00 per share. These warrants were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act. In connection with the sale of the Series D Convertible Preferred Stock, the holders of the Registrant's \$1,500,000 Senior Notes due July 31, 1998 exchanged such notes for 616,620 shares of Series A Redeemable Preferred Stock, having a redemption value of \$1.50 per share (of which, 100,000 shares of Series A Redeemable Preferred Stock were immediately repurchased by the Registrant) and the holders of the Registrant's \$5,200,000 Senior Notes

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due July 31, 1998 exchanged such notes for 1,402,461 shares of Series B Redeemable Preferred Stock, having a redemption value of \$2.00 per share (of which, 107,882 shares of Series B Redeemable Preferred Stock were immediately repurchased by the Registrant). These transactions were effected in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act.

In connection with the acquisition of the Sawyer Companies in January 1996, the Registrant issued to W. Tom Sawyer a warrant to purchase 40,000 shares of Class A Common Stock at an exercise price of \$7.00 per share. The warrants were not attributed any value by the Company. These warrants were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act.

In January 1996, the Registrant issued warrants to Robert McNeil and Susan Olivieri to purchase an aggregate of 100,000 shares of the Class A Common Stock of the Registrant, in connection with the purchase by the Registrant of the business of Northeast Waste Services, Ltd. The exercise price of the warrants is \$7.25 per share, and the warrants were not attributed any value for purposes of the transaction. These warrants were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act.

In November 1996, the Company issued 60,427 shares of its Class A Common Stock to each of Douglas C. Taff and Michael B. Barrett in connection with the Registrant's acquisition of Vermont Waste and Recycling Management, Inc. For purposes of the transaction, the Class A Common Stock was valued at \$12.00 per share. The Registrant placed 16,892 of the shares issued to each person into escrow to secure the sellers' obligations under the acquisition documents. These securities were offered and issued in reliance upon the exemption from registration set forth in Section 4(2) under the Securities Act.

In January 1997, in connection with the acquisition by the Registrant of the assets of Superior Disposal Service, Inc. and Kerkim, Inc., and related companies, the Registrant issued 570,960 shares of Class A Common Stock to Kenneth H. Mead, the sole stockholder of the selling entities. Pursuant to the terms of the acquisition agreement, the Registrant is required to issue an additional 63,440 shares of Class A Common Stock on the first anniversary of the closing date, subject to adjustment pursuant to the indemnification obligations of Mr. Mead under the acquisition agreement. The Registrant is required to issue up to an additional 70,489 shares to Mr. Mead in the event that the Registrant completes an underwritten registered public offering at a price of less than \$20 per share. In addition, Mr. Mead is required to return to the Registrant up to 30,210 shares in the event that the Registrant completes an underwritten registered public offering at a price in excess of \$20 per share. These securities were offered and issued in reliance upon the

exemption from registration set forth in Section 4(2) under the Securities Act.

Between July 26, 1993 and June 30, 1997, the Registrant issued options to certain officers, directors and employees of the Registrant to purchase an aggregate of 1,397,635 shares of Class A Common Stock at a weighted average exercise price of approximately \$6.13 per share. These options were offered and issued in reliance upon the exemption from registration set forth in Rule 701 under the Securities Act.

In July 1997, the Registrant issued an aggregate of 20,000 shares upon the exercise of options by an officer, at an exercise price of \$0.60 per share, for an aggregate consideration of \$12,000. These shares were offered and issued in reliance upon the exemption from registration set forth in Rule 701 under the Securities Act.

Except as set forth above, no underwriters were involved in the foregoing issuances of securities.

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Item 16. Exhibits and Financial Statement Schedules  
(a) Exhibits

Exhibit No.	Description
*1	Form of Underwriting Agreement.
+3.1	Amended and Restated Certificate of Incorporation of the Registrant.
3.2	Certificate of Amendment to Certificate of Incorporation, to be filed prior to the closing of this Offering.
3.3	Amended and Restated Certificate of Amendment of the Registrant, to be filed prior to the closing of this Offering.
+3.4	Amended and Restated By-Laws of the Registrant.
3.5	Second Amended and Restated By-Laws of the Registrant, to be effective upon the closing of this Offering.
*4	Specimen Certificate for Class A Common Stock.
5	Opinion of Hale and Dorr LLP.
+10.1	1993 Incentive Stock Option Plan.
+10.2	1994 Nonstatutory Stock Option Plan.
+10.3	1996 Stock Option Plan.
10.4	1997 Stock Incentive Plan.
10.5	1997 Non-Employee Director Stock Option Plan.
10.6	Registration Rights Agreement between the Registrant and Susan Olivieri and Robert MacNeil, dated January 3, 1996.
+10.7	1995 Stockholders Agreement between the Registrant and the stockholders who are a party thereto, dated as of December 22, 1995.
+10.8	1995 Registration Rights Agreement between the Registrant and the stockholders who are a party thereto, dated as of December 22, 1995.
+10.9	1995 Repurchase Agreement between the Registrant and the stockholders who are a party thereto, dated as of December 22, 1995.
+10.10	Management Services Agreement between the Registrant, BCI Growth III, L.P., North Atlantic Venture Fund, L.P., and Vermont Venture Capital Fund, L.P., dated as of December 22, 1995.
10.11	Warrant to Purchase Common Stock of the Registrant granted to John W. Casella, dated as of July 26, 1993.
10.12	Warrant to Purchase Common Stock of the Registrant granted to Douglas R. Casella, dated as of July 26, 1993.
+10.13	Asset Purchase Agreement by and among Kenneth H. Mead, Kerkim, Inc. and Casella Waste Management of N.Y., dated as of January 17, 1997.
+10.14	Reorganization Agreement by and among Kenneth H. Mead, Superior Disposal Services, Inc., Kensue, Inc., S.D.S. at PA, Inc. and Claws Refuse, Inc., dated as of January 17, 1997.
+10.15	Termination of Lease Agreement by and between Casella Associates and Casella Waste Management, Inc. dated September 25, 1996.
10.16	Amended and Restated Revolving Credit and Term Loan Agreement between the Registrant and BankBoston, dated as of August 6, 1997.
+10.17	Lease Agreement, as Amended, between Casella Associates and Casella Waste Management, Inc., dated December 9, 1994 (Rutland lease).

- +10.18 Lease Agreement, as Amended, between Casella Associates and Casella Waste Management, Inc., dated December 9, 1994 (Montpelier lease).
- +10.19 Furniture and Fixtures Lease Renewal Agreement between Casella Associates and Casella Waste Management, Inc., dated May 1, 1994.
- +10.20 Lease, Operations and Maintenance Agreement between CV Landfill, Inc. and the Registrant dated June 30, 1994

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Exhibit

No.	Description
-----	
+10.21	Restated Operation and Management Agreement by and between Clinton County (N.Y.) and the Registrant dated September 9, 1996.
+10.22	Labor Utilization Agreement by and between Clinton County (N.Y.) and the Registrant dated August 7, 1996.
+10.23	Lease and Option Agreement by and between Waste U.S.A., Inc. and New England Waste Services of Vermont, Inc., dated December 14, 1995.
+10.24	Consulting and Non-Competition Agreement between the Registrant and Kenneth H. Mead, dated January 23, 1997.
+10.25	Issuance of Shares by the Registrant to National Waste Industries, Inc., dated October 19, 1994.
*11	Computation of earnings per common share.
21	Subsidiaries of the Registrant.
*23.1	Consent of Hale and Dorr LLP (included in Exhibit 5).
23.2	Consent of Arthur Andersen LLP.
+24	Power of Attorney.

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\* To be filed by amendment.

+ Previously filed

(b) Financial Statement Schedules

All other schedules have been omitted because they are not required or because the required information is given in the Consolidated Financial Statements or Notes thereto.

Item 17. Undertakings

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions contained in the Restated Certificate of Incorporation and Amended and Restated By-Laws of the Registrant and the laws of the State of Delaware, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Rutland, Vermont, on this 24th day of September, 1997.

CASELLA WASTE SYSTEMS, INC.

By: /s/ John W. Casella

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John W. Casella

President and Chief Executive

Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John W. Casella ----- John W. Casella	President, Chief Executive Officer and Chairman	September 24, 1997
* ----- James W. Bohlig	Senior Vice President and Chief Operating Officer, Director	September 24, 1997
/s/ Jerry S. Cifor ----- Jerry S. Cifor	Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)	September 24, 1997
* ----- Douglas R. Casella	Director	September 24, 1997
* -----	Director	September 24, 1997

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John F. Chapple III		
	*	Director
		September 24, 1997
-----		
Kenneth H. Mead		
	*	Director
		September 24, 1997
-----		
Michael F. Cronin		
	*	Director
		September 24, 1997
-----		
Gregory B. Peters		
	*	Director
		September 24, 1997
-----		
C. Andrew Russell		

\*By: /s/ John W. Casella  
-----  
John W. Casella  
Attorney-in-Fact

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Exhibit Index

Exhibit No.	Description
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*1	Form of Underwriting Agreement.
+3.1	Amended and Restated Certificate of Incorporation of the Registrant.
3.2	Certificate of Amendment to Certificate of Incorporation, to be filed prior to the closing of this Offering.
3.3	Amended and Restated Certificate of Amendment of the Registrant, to be filed prior to the closing of this Offering.
+3.4	Amended and Restated By-Laws of the Registrant.
3.5	Second Amended and Restated By-Laws of the Registrant, to be effective upon the closing of this Offering.
*4	Specimen Certificate for Class A Common Stock.
5	Opinion of Hale and Dorr LLP.
+10.1	1993 Incentive Stock Option Plan.
+10.2	1994 Nonstatutory Stock Option Plan.
+10.3	1996 Stock Option Plan.
10.4	1997 Stock Incentive Plan.
10.5	1997 Non-Employee Director Stock Option Plan.
10.6	Registration Rights Agreement between the Registrant and Susan Olivieri and Robert MacNeil, dated January 3, 1996.
+10.7	1995 Stockholders Agreement between the Registrant and the stockholders who are a party thereto, dated as of December 22, 1995.
+10.8	1995 Registration Rights Agreement between the Registrant and the stockholders who are a party thereto, dated as of December 22, 1995.
+10.9	1995 Repurchase Agreement between the Registrant and the stockholders who are a party thereto, dated as of December 22, 1995.
+10.10	Management Services Agreement between the Registrant, BCI Growth III, L.P., North Atlantic Venture Fund, L.P., and Vermont Venture Capital Fund, L.P., dated as of December 22, 1995.
10.11	Warrant to Purchase Common Stock of the Registrant granted to John W. Casella, dated as of July 26, 1993.
10.12	Warrant to Purchase Common Stock of the Registrant granted to Douglas R. Casella, dated as of July 26, 1993.
+10.13	Asset Purchase Agreement by and among Kenneth H. Mead, Kerkim, Inc. and Casella Waste Management of N.Y., dated as of January 17, 1997.
+10.14	Reorganization Agreement by and among Kenneth H. Mead, Superior Disposal Services, Inc., Kensue, Inc., S.D.S. at PA, Inc. and Claws Refuse, Inc., dated as of January 17, 1997.
+10.15	Termination of Lease Agreement by and between Casella Associates and Casella Waste Management, Inc. dated September 25, 1996.

- 10.16 Amended and Restated Revolving Credit and Term Loan Agreement between the Registrant and BankBoston, dated as of August 6, 1997.
- +10.17 Lease Agreement, as Amended, between Casella Associates and Casella Waste Management, Inc., dated December 9, 1994 (Rutland lease).
- +10.18 Lease Agreement, as Amended, between Casella Associates and Casella Waste Management, Inc., dated December 9, 1994 (Montpelier lease).
- +10.19 Furniture and Fixtures Lease Renewal Agreement between Casella Associates and Casella Waste Management, Inc., dated May 1, 1994.
- +10.20 Lease, Operations and Maintenance Agreement between CV Landfill, Inc. and the Registrant dated June 30, 1994
- +10.21 Restated Operation and Management Agreement by and between Clinton County (N.Y.) and the Registrant dated September 9, 1996.
- +10.22 Labor Utilization Agreement by and between Clinton County (N.Y.) and the Registrant dated August 7, 1996.

Exhibit

Exhibit No.	Description
+10.23	Lease and Option Agreement by and between Waste U.S.A., Inc. and New England Waste Services of Vermont, Inc., dated December 14, 1995.
+10.24	Consulting and Non-Competition Agreement between the Registrant and Kenneth H. Mead, dated January 23, 1997.
+10.25	Issuance of Shares by the Registrant to National Waste Industries, Inc., dated October 19, 1994.
*11	Computation of earnings per common share.
21	Subsidiaries of the Registrant.
*23.1	Consent of Hale and Dorr LLP (included in Exhibit 5).
23.2	Consent of Arthur Andersen LLP.
+24	Power of Attorney.

\* To be filed by amendment.

+ Previously Filed.

(b) Financial Statement Schedules

All other schedules have been omitted because they are not required or because the required information is given in the Consolidated Financial Statements or Notes thereto.

CERTIFICATE OF AMENDMENT  
OF  
CERTIFICATE OF INCORPORATION  
OF  
CASELLA WASTE SYSTEMS, INC.

CASELLA WASTE SYSTEMS, INC. (hereinafter called the "Corporation"), organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify as follows:

At a meeting of the Board of Directors of the Corporation a resolution was duly adopted, pursuant to Sections 141 and 242 of the General Corporation Law of the State of Delaware, setting forth an amendment to the Certificate of Incorporation of the Corporation and declaring said amendment to be advisable. The stockholders of the Corporation duly approved said proposed amendment by written consent in accordance with Sections 228 and 242 of the General Corporation Law of the State of Delaware, and written notice of such consent has been given to all stockholders who have not consented in writing to said amendment. The resolution setting forth the amendment is as follows:

"RESOLVED: That the first paragraph of Article FOURTH of the Certificate of Incorporation of the Corporation be and hereby is deleted and the following is inserted in lieu thereof:

"FOURTH. The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 30,000,000 shares of Class A Common Stock, \$0.01 par value per share ("Class A Common Stock"), (ii) 1,000,000 shares of Class B Common Stock, \$0.01 par value per share ("Class B Common Stock; and collectively with the Class A Common Stock, the "Common Stock") and (iii) 5,941,250 shares of Preferred Stock, \$0.01 par value per share ("Preferred Stock")."

IN WITNESS WHEREOF, the Corporation has caused its corporate seal to be affixed hereto and this Certificate of Amendment to be signed by its \_\_\_\_\_ this \_\_\_\_ day of \_\_\_\_\_, 1997.

CASELLA WASTE SYSTEMS, INC.

By: \_\_\_\_\_

To be filed with the State of Delaware prior to the Closing

AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
of  
CASELLA WASTE SYSTEMS, INC.

CASELLA WASTE SYSTEMS, INC., a corporation organized and existing under the laws of the State of Delaware (hereinafter called the "Corporation"), hereby certifies pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware (the "General Corporation Law") that (i) the Corporation's name is Casella Waste Systems, Inc. and it was originally incorporated under such name; (ii) the Certificate of Incorporation of the Corporation was originally filed with the Secretary of State of Delaware on March 1, 1993; and (iii) this Amended and Restated Certificate of Incorporation amends and restates the Certificate of Incorporation of the Corporation, as previously amended and restated on December 26, 1995 and now in effect. This Amended and Restated Certificate of Incorporation was adopted by the Board of Directors and stockholders of the Corporation entitled to vote in respect thereof in the manner and by the vote prescribed by Section 242 of the General Corporation Law to read as follows:

FIRST: The name of the Corporation is Casella Waste Systems, Inc.

SECOND: The registered office of the Corporation in the State of Delaware is located at 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is (a) 30,000,000 shares of Class A Common Stock, \$0.01 par value per share ("Class A Common Stock"), (b) 1,000,000 shares of Class B Common Stock, \$0.01 par value per share ("Class B Common Stock", and collectively with the Class A Common Stock, the "Common Stock"), and (c) 1,000,000 shares of Preferred Stock, \$0.01 par value per share ("Preferred Stock"), issuable in one or more series as provided herein. The number of authorized shares of any class or classes of capital stock of the Corporation may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the stock of the Corporation entitled to vote generally in the election of directors irrespective of the provisions of Section

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

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

4.1. COMMON STOCK.

All shares of Common Stock will be identical in all respects and will entitle the holders thereof to the same rights and privileges, except as otherwise provided herein.

(a) Voting Rights. The holders of shares of Common Stock shall have the following voting rights:

(i) Each share of Class A Common Stock shall entitle the holder thereof to one vote in person or by proxy on all matters submitted to a vote of the stockholders of the Corporation.

(ii) Each share of Class B Common Stock shall entitle the holder

thereof to ten votes in person or by proxy on all matters submitted to a vote of the stockholders of the Corporation.

(iii) Except for the election and the removal of the Class A Director as described below in Article ELEVENTH, and as otherwise required by applicable law, the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(b) Dividends and Distributions. Subject to the preferences applicable to Preferred Stock outstanding at any time, the holders of shares of Common Stock shall be entitled to receive such dividends and other distributions in cash, property or shares of stock of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor; provided, that, subject to the provisions of this Section 4.1(b), the Corporation shall not pay dividends or make distributions to any holders of any class of Common Stock unless simultaneously with such dividend or distribution, as the case may be, the Company makes the same dividend or distribution with respect to each outstanding share of Common Stock regardless of class. In the case of dividends or other distributions payable in Class A Common Stock or Class B Common Stock, including distributions pursuant to stock splits or divisions of Class A Common Stock or Class B Common Stock, only shares of Class A Common Stock shall be distributed with respect to Class A Common Stock, and only shares of Class B Common Stock shall be distributed with respect to Class B Common Stock. Whenever a dividend or

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distribution, including distributions pursuant to stock splits or divisions of the Common Stock, is payable in shares of Class A Common Stock or Class B Common Stock, the number of shares of each class of Common Stock payable per share of such class of Common Stock shall be equal in number. In the case of dividends or other distributions consisting of other voting securities of the Corporation or of voting securities of any corporation which is a wholly-owned subsidiary of the Corporation, the Corporation shall declare and pay such dividends in two separate classes of such voting securities, identical in all respects, except that (i) the voting rights of each such security paid to the holders of Class A Common Stock shall be one-tenth of the voting rights of each such security paid to the holders of Class B Common Stock, (ii) such security paid to the holders of Class B Common Stock shall convert into the security paid to the holders of Class A Common Stock upon the same terms and conditions applicable to the conversion of Class B Common Stock into Class A Common Stock and shall have the same restrictions on transfer and ownership applicable to the transfer and ownership of the Class B Common Stock, and (iii) with respect only to dividends or other distributions of voting securities of any corporation which is a wholly-owned subsidiary of the Company, the respective voting rights of each such security paid to holders of Class A Common Stock and Class B Common Stock with respect to the election of directors shall otherwise be as comparable as is practicable to those of the Class A Common Stock and Class B Common Stock, respectively. In the case of dividends or other distributions consisting of securities convertible into, or exchangeable for, voting securities of the Corporation or voting securities of another corporation which is a wholly-owned subsidiary of the corporation, the Corporation shall provide that such convertible or exchangeable securities and the underlying securities be identical in all respects (including, without limitation, the conversion or exchange rate), except that (i) the voting rights of each security underlying the convertible or exchangeable security paid to the holders of Class A Common Stock shall be one-tenth of the voting rights of each security underlying the convertible or exchangeable security paid to the holders of the Class B Common Stock, and (ii) such underlying securities paid to the holders of Class B Common Stock shall convert into the underlying securities paid to the holders of Class A Common Stock upon the same terms and conditions applicable to the conversion of Class B Common Stock into Class A Common Stock and shall have the same restrictions on transfer and ownership applicable to the transfer and ownership of the Class B Common Stock.

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(c) Conversion of Class B Common Stock.

(i) Each holder of Class B Common Stock shall be entitled to convert,

at any time and from time to time, any or all of the shares of such holder's Class B Common Stock on a one-for-one basis, into the same number of fully paid and non-assessable shares of Class A Common Stock. Such right shall be exercised by the surrender of the certificate or certificates representing the shares of Class B Common Stock to be converted to the Corporation at any time during normal business hours at the principal executive offices of the Corporation or at the office of the Transfer Agent, accompanied by a written notice of the holder of such shares stating that such holder desires to convert such shares, or a stated number of the shares represented by such certificate or certificates, into an equal number of shares of the Class A Common Stock, and (if so required by the Corporation or the Transfer Agent) by instruments of transfer, in form satisfactory to the Corporation and to the Transfer Agent, duly executed by such holder or such holder's duly authorized attorney, and transfer tax stamps or funds therefor, if required pursuant to Section 4.1(c)(vi).

(ii) If, on the record date for any meeting of stockholders of the Corporation, the number of shares of Common Stock (including Class A Common Stock and Class B Common Stock) outstanding and held by all Class B Permitted Holders (as defined in Section 4.1(i)) in the aggregate constitutes less than 10% of the aggregate number of shares of Common Stock outstanding immediately upon the initial closing of the Company's initial public offering contemplated by Registration Statement No. 333-33135 (adjusted for stock splits, stock dividends, reclassifications, recapitalizations and reverse stock splits and similar transactions), each share of Class B Common Stock then issued or outstanding shall thereupon be converted automatically as of such date into one (1) fully paid and non-assessable share of Class A Common Stock. Upon the making of such determination, notice of such automatic conversion shall be given by the Corporation by means of a press release and written notice to all holders of Class B Common Stock, and shall be given as soon as practicable, and the Secretary of the Corporation shall be instructed to, and shall promptly request from each holder of Class B Common Stock that each such holder promptly deliver, and each such holder shall promptly deliver, the certificate representing each such share of Class B Common Stock to the Corporation for exchange hereunder, together with instruments of transfer, in form satisfactory to the Corporation and Transfer Agent, duly executed by such holder or such holder's duly authorized attorney, and together with transfer tax stamps or funds therefor, if required pursuant to Section 4.1(c)(vi).

(iii) As promptly as practicable following the surrender for conversion of a certificate representing shares of Class B Common Stock in the manner provided in Section 4.1(c)(i) or Section 4.1(c)(ii), as applicable, and the payment in cash of any amount required by the provisions of Section 4.1(c)(vi), the Corporation will deliver

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or cause to be delivered at the office of the Transfer Agent, a certificate or certificates representing the number of full shares of Class A Common Stock issuable upon such conversion, issued in such name or names as such holder may direct. Such conversion shall be deemed to have been effected immediately prior to the close of business on the date of the surrender of the certificate or certificates representing shares of Class B Common Stock. Upon the date any such conversion is made or effected, all rights of the holder of such shares as such holder shall cease, and the person or persons in whose name or names the certificates or certificates representing the shares of Class A Common Stock are to be issued shall be treated for all purposes as having become the record holder or holders of such shares of Class A Common Stock; provided, however, that if any such surrender and payment occurs on any date when the stock transfer books of the Corporation shall be closed, the person or persons in whose name or names the certificate or certificates representing shares of Class A Common Stock are to be issued shall be deemed the record holder or holders thereof for all purposes immediately prior to the close of business on the next succeeding day on which the stock transfer books are open.

(iv) In the event of a reclassification or other similar transaction as a result of which the shares of Class A Common Stock are converted into another security, then a holder of Class B Common Stock shall be entitled to receive upon conversion the amount of such security that such holder would have received if such conversion had occurred immediately prior to the record date of such reclassification or other similar transaction. No adjustments in respect of dividends shall be made upon the conversion of any share of Class B Common

Stock; provided, however, that if a share shall be converted subsequent to the record date for the payment of a dividend or other distribution on shares of Class B Common Stock but prior to such payment, then the registered holder of such share at the close of business on such record date shall be entitled to receive the dividend or other distribution payable on such share on such date notwithstanding the conversion thereof or the Corporation's default in payment of the dividend due on such date.

(v) The Corporation covenants that it will at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, solely for the purpose of issuance upon conversion of the outstanding shares of Class B Common Stock, such number of shares of Class A Common Stock that shall be issuable upon the conversion of all such outstanding shares of Class B Common Stock; provided that nothing contained herein shall be construed to preclude the Corporation from satisfying its obligations in respect of the conversion of the outstanding shares of Class B Common Stock by delivery of purchased shares of Class A Common Stock which are held in the treasury of the Corporation. The Corporation covenants that if any shares of Class A Common Stock require registration with or approval of any governmental authority under any federal or state law before such shares of Class A Common stock may be issued upon conversion, the Corporation will cause such shares to be duly registered or approved,

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as the case may be. The Corporation will use its best efforts to list the shares of Class A Common Stock required to be delivered upon conversion prior to such delivery upon each national securities exchange upon which the outstanding Class A Common Stock is listed at the time of such delivery. The Corporation covenants that all shares of Class A Common Stock that shall be issued upon conversion of the shares of Class B Common Stock will, upon issue, be validly issued, fully paid and non-assessable.

(vi) The issuance of certificates for shares of Class A Common Stock upon conversion of shares of Class B Common Stock shall be made without charge to the holders of such shares for any stamp or other similar tax in respect of such issuance; provided, however, that, if any such certificate is to be issued in a name other than that of the holder of the share or shares of Class B Common Stock converted, then the person or persons requesting the issuance thereof shall pay to the Corporation the amount of any tax that may be payable in respect of any transfer involved in such issuance or shall establish to the satisfaction of the Corporation that such tax has been paid.

(vii) Shares of Class B Common Stock that are converted into shares of Class A Common Stock as provided herein shall continue to be authorized shares of Class B Common Stock and available for reissue by the Corporation; provided, however, that no shares of Class B Common Stock shall be reissued except as expressly permitted by Sections 4.1(b) and 4.1(d) of this Amended and Restated Certificate of Incorporation.

(d) Stock Splits. The Corporation shall not in any manner subdivide (by any stock split, stock dividend, reclassification, recapitalization or otherwise) or combine (by reverse stock split, reclassification, recapitalization or otherwise) the outstanding shares of one class of Common Stock unless the outstanding shares of all classes of Common Stock shall be proportionately subdivided or combined.

(e) Options, Rights or Warrants.

(i) The Corporation shall not make any offering of options, rights or warrants to subscribe for shares of Class B Common Stock, except that if the Corporation makes an offering of options, rights or warrants to subscribe for shares of any other class or classes of capital stock (other than Class B Common Stock) to all holders of a class of Common Stock then the Corporation shall simultaneously make an identical offering to all holders of the other classes of Common Stock other than to any class of Common Stock the holders of which, voting as a separate class, determine that such offering need not be made to such class. All such options, rights or warrants offerings shall offer the respective holders of Class A Common Stock and Class B Common Stock the right to subscribe at the same rate per share.

(ii) Subject to Section 4.1(c)(iv) and 4.1(e)(i), the Corporation shall have the power to create and issue, whether or not in connection with the issue and sale of any shares of stock or other securities of the Corporation, rights or options entitling the holders thereof to purchase from the Corporation any shares of its capital stock of any class or classes at the time authorized (other than Class B Common Stock), such rights or options to have such terms and conditions, and to be evidenced by or in such instrument or instruments, as shall be approved by the Board of Directors.

(f) Mergers, Consolidation, Etc. In the event that the Corporation shall enter into any consolidation, merger, combination or other transaction in which shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then, and in such event, the shares of each class of Common Stock shall be exchanged for or changed into either (1) the same amount of stock, securities, cash and/or any other property, as the case may be, into which or for which each share of any other class of Common Stock is exchanged or changed; provided, however, that if shares of Common Stock are exchanged for or changed into shares of capital stock, such shares so exchanged for or changed into may differ to the extent and only to the extent that the Class A Common Stock and the Class B Common Stock differ as provided herein or (2) if holders of each class of Common Stock are to receive different distributions of stock, securities, cash and/or any other property, an amount of stock, securities, cash and/or property per share having a value, as determined by an independent investment banking firm of national reputation selected by the Board of Directors, equal to the value per share into which or for which each share of any other class of Common Stock is exchanged or changed.

(g) Liquidation Rights. In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation and after making provision for the holders of each series of Preferred Stock, if any, the remaining assets and funds of the Corporation, if any, shall be divided among and paid ratably to the holders of the shares of the Class A Common Stock and the Class B Common Stock treated as a single class.

(h) No Preemptive Rights. Except as provided in Section 4.1(e), the holders of shares of Common Stock are not entitled to any preemptive right to subscribe for, purchase or receive any part of any new or additional issue of stock of any class, whether now or hereafter authorized, or of bonds, debentures or other securities convertible into or exchangeable for stock.

(i) Transfer of Class B Common Stock.

(i) No person may, directly or indirectly, sell (whether by involuntary or judicial sale or otherwise), assign, transfer, grant a security interest in, pledge, encumber, hypothecate, give (by bequest, gift or appointment) or otherwise (voluntarily or by operation of law) dispose of (collectively, "Transfer") any interest in his, her or its shares of Class B Common Stock (or in any shares of Class B Common Stock held by such person for the benefit of or on the behalf of another person) (including, without limitation, the power to vote or provide a consent with respect to his, her or its shares of Class B Common Stock by proxy or otherwise, except for proxies given to any Class B Permitted Holder (as defined below) or to a person designated by the Board of Directors of the Corporation who is soliciting proxies on behalf of the Corporation), and the Corporation and the transfer agent for the Class B Common Stock, if any (the "Class B Transfer Agent"), shall not register the Transfer of such shares of Class B Common Stock, except to the Corporation or a Class B Permitted Holder; provided, however, such restrictions on transfer shall not apply to a merger, consolidation or business combination of the Corporation with or into another corporation pursuant to which all of the outstanding shares of each class of Common Stock and Preferred Stock of the Company is being acquired. Any transfer of Class B Common Stock in violation of this Section 4.1(i) shall be null and void ab initio, and the Corporation shall not register such Transfer. For the purposes of this Article Four, a "Class B Permitted Holder" shall include only the following persons: (i) John W. Casella, Douglas R. Casella and their respective estates, guardians, conservators or

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

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maximum exercise of discretion by the trustee in favor of persons who are not Casella Beneficiaries, the value of the interests of such persons in such trust, computed actuarially, is 50% or less. The factors and methods prescribed in section 7520 of the Internal Revenue Code of 1986, as amended, for use in ascertaining the value of certain interests shall be used in determining a beneficiary's actuarial interest in a trust for purposes of applying this provision. For purposes of this provision, the actuarial value of the interest in a trust of any person in whose favor a testamentary power of appointment may be exercised shall be deemed to be zero. For purposes of this provision, in the case of a trust created by a Casella Descendant, the actuarial value of the interest in such trust of any person who may receive trust property only at the termination of the trust and then only in the event that, at the termination of the trust, there are no living issue of such Casella Descendant shall be deemed to be zero.

(ii) Notwithstanding anything to the contrary set forth herein, any Class B Permitted Holder may pledge his, her or its shares of Class B Common Stock to a financial institution pursuant to a bona fide pledge of such shares as collateral security for indebtedness due to the pledgee; provided, that such shares shall remain subject to the provisions of this Section 4.1(i). In the event of foreclosure or other similar action by the pledgee, such pledged shares of Class B Common Stock may only be transferred to a Class B Permitted Holder or converted into shares of Class A Common Stock, as the pledgee may elect.

(iii) For purposes of this Section 4.1(i):

(1) the relationship of any person that is derived by or through legal adoption shall be considered a natural relationship;

(2) a minor who is a descendant of John W. Casella or Douglas R. Casella and for whom shares of Class B Common Stock are held pursuant to a Uniform Gifts to Minors Act or similar law shall be considered a Class B Permitted Holder and the custodian who is the record holder of such shares shall not be considered the Class B Permitted Holder of such shares;

(3) an incompetent stockholder who is a Class B Permitted Holder but whose shares are owned or held by a guardian or conservator shall be considered a Class B Permitted Holder of such shares and such guardian or conservator who is the holder of such shares shall not be considered the Class B Permitted Holder of such shares;

(4) unless otherwise specified, the term "person" means and includes natural persons, corporations, partnerships, unincorporated

associations, firms, joint ventures, trusts and all other entities; and

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(5) except as provided in clauses (2) and (3) above, for purposes of determining whether the holder of shares of Class B Common Stock is a Class B Permitted Holder, the record holder of such share shall be considered the holder; provided, however, that if such record holder is a nominee, the holder for purposes of determining whether the holder of shares of Class B Common Stock is a Class B Permitted Holder shall be the first person in the chain of ownership of such share of Class B Common Stock who is not holding such share solely as a nominee.

(iv) Each certificate representing shares of Class B Common Stock shall be endorsed with a legend that states that shares of Class B Common Stock are not transferable other than to certain transferees and are subject to certain restrictions as set forth in this Amended and Restated Certificate of Incorporation filed by the Corporation with the Secretary of State of the State of Delaware.

(j) Certain Automatic Conversions of Class B Common Stock. Subject to Section 4.1(i), at such time as a person ceases to be a Class B Permitted Holder, any and all shares of Class B Common Stock held by such person at such time shall automatically convert into shares of Class A Common Stock, provided that no conversion shall occur upon the pledge of a Class B Permitted Holder's share of Class B Common Stock to a financial institution as contemplated by and pursuant to Section 4.1(i)(ii).

(k) Restrictions on Issuance. The Corporation shall not issue or sell any shares of Class B Common Stock or any securities (including, without limitation, any rights, options, warrants or other securities) convertible, exchangeable or exercisable into shares of Class B Common Stock to any person that is not a Class B Permitted Holder. Any issuance or sale of shares of Class B Common Stock (or securities convertible into, or exchangeable or exercisable for, shares of Class B Common Stock) in violation of this Section 4.1(k) shall be null and void ab initio.

#### 4.2. PREFERRED STOCK.

Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the Corporation as hereinafter provided. Any shares of Preferred Stock which may be redeemed, purchased or acquired by the Corporation may be reissued except as otherwise provided by law. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly provided.

Authority is hereby expressly granted to the Board of Directors from time to time to issue the Preferred Stock in one or more series, and in connection with the creation of any such series, by resolution or resolutions providing for the issue of the

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shares thereof (and by filing a certificate pursuant to the applicable law of the State of Delaware), to determine and fix such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, special voting rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the General Corporation Law of Delaware. Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to the Preferred Stock of any other series to the extent permitted by law. Except as otherwise specifically provided in this Certificate of Incorporation or otherwise by agreement, no vote of the holders of the Preferred Stock or Common Stock shall

be a prerequisite to the issuance of any shares of any series of the Preferred Stock authorized by and complying with the conditions of this Certificate of Incorporation, the right to have such vote being expressly waived by all present and future holders of the capital stock of the Corporation.

FIFTH. In furtherance of and not in limitation of powers conferred by statute, it is further provided:

1. Election of directors need not be by written ballot.

2. The Board of Directors is expressly authorized to adopt, amend or repeal the By-Laws of the Corporation.

SIXTH. Except to the extent that the General Corporation Law of Delaware prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

SEVENTH. 7.1. Actions, Suits and Proceedings Other than by or in the Right of the Corporation. The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit

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plan) (all such persons being referred to hereafter as an "Indemnatee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. Notwithstanding anything to the contrary in this Article, except as set forth in Section 7.7 below, the Corporation shall not indemnify an Indemnatee seeking indemnification in connection with a proceeding (or part thereof) initiated by the Indemnatee unless the initiation thereof was approved by the Board of Directors of the Corporation. Notwithstanding anything to the contrary in this Article, the Corporation shall not indemnify an Indemnatee to the extent such Indemnatee is reimbursed from the proceeds of insurance, and in the event the Corporation makes any indemnification payments to an Indemnatee and such Indemnatee is subsequently reimbursed from the proceeds of insurance, such Indemnatee shall promptly refund such indemnification payments to the Corporation to the extent of such insurance reimbursement.

7.2. Actions or Suits by or in the Right of the Corporation. The Corporation shall indemnify any Indemnatee who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all

expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such

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person is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware shall deem proper.

7.3. Indemnification for Expenses of Successful Party. Notwithstanding the other provisions of this Article, to the extent that an Indemnitee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections 7.1 and 7.2, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, he shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnitee, (ii) an adjudication that the Indemnitee was liable to the Corporation, (iii) a plea of guilty or nolo contendere by the Indemnitee, (iv) an adjudication that the Indemnitee did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that the Indemnitee had reasonable cause to believe his conduct was unlawful, the Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

7.4. Notification and Defense of Claim. As a condition precedent to his right to be indemnified, the Indemnitee must notify the Corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving him for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the Corporation to the Indemnitee of its election so to assume such defense, the Corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Section 7.4. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and the Indemnitee in the conduct of the defense of such action or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Article. The Corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as

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to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.

7.5. Advance of Expenses. Subject to the provisions of Section 7.6 below,

in the event that the Corporation does not assume the defense pursuant to Section 7.4 of any action, suit, proceeding or investigation of which the Corporation receives notice under this Article, any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom shall be paid by the Corporation in advance of the final disposition of such matter; provided, however, that the payment of such expenses incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Corporation as authorized in this Article. Such undertaking shall be accepted without reference to the financial ability of the Indemnitee to make such repayment.

7.6. Procedure for Indemnification. In order to obtain indemnification or advancement of expenses pursuant to Section 7.1, 7.2, 7.3 or 7.5, the Indemnitee shall submit to the Corporation a written request, including in such request such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification or advancement of expenses. Any such indemnification or advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the Corporation of the written request of the Indemnitee, unless with respect to requests under Section 7.1, 7.2 or 7.5 the Corporation determines within such 60-day period that the Indemnitee did not meet the applicable standard of conduct set forth in Section 7.1 or 7.2, as the case may be. Such determination shall be made in each instance by (a) a majority vote of the directors of the Corporation consisting of persons who are not at that time parties to the action, suit or proceeding in question ("disinterested directors"), whether or not a quorum, (b) a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or proceeding in question, (c) independent legal counsel (who may, to the extent permitted by law, be regular legal counsel to the Corporation), or (d) a court of competent jurisdiction.

7.7. Remedies. The right to indemnification or advances as granted by this Article shall be enforceable by the Indemnitee in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within the 60-day period referred to above in Section 7.6. Unless otherwise required by law, the burden of proving that the Indemnitee is not entitled to indemnification or advancement of expenses under this Article shall be on the Corporation. Neither the failure of the Corporation to have made a determination

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prior to the commencement of such action that indemnification is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to Section 7.6 that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The Indemnitee's expenses (including attorneys' fees) incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the Corporation.

7.8. Subsequent Amendment. No amendment, termination or repeal of this Article or of the relevant provisions of the General Corporation Law of Delaware or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

7.9. Other Rights. The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in any other capacity while holding office for the Corporation, and shall continue as to an Indemnitee who has ceased to be a director or

officer, and shall inure to the benefit of the estate, heirs, executors and administrators of the Indemnitee. Nothing contained in this Article shall be deemed to prohibit, and the Corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article. In addition, the Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

7.10. Partial Indemnification. If an Indemnitee is entitled under any provision of this Article to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify the Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which the Indemnitee is entitled.

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7.11. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Delaware.

7.12. Merger or Consolidation. If the Corporation is merged into or consolidated with another corporation and the Corporation is not the surviving corporation, the surviving corporation shall assume the obligations of the Corporation under this Article with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the date of such merger or consolidation.

7.13. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

7.14. Definitions. Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

7.15. Subsequent Legislation. If the General Corporation Law of Delaware is amended after adoption of this Article to expand further the indemnification permitted to Indemnitees, then the Corporation shall indemnify such persons to the fullest extent permitted by the General Corporation Law of Delaware, as so amended.

EIGHTH: Subject to the terms of any series of Preferred Stock or any other securities of the Corporation with respect to the voting of shares of such series or of such other securities, as the case may be, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting. Subject to any such terms of any series of Preferred Stock or any such other securities of the Corporation, special meetings of stockholders of the Corporation may be called only as provided in the By-laws of the Corporation.

NINTH: The books of the Corporation may (subject to any statutory requirements) be kept outside the State of Delaware as may be designated by the Board of Directors or in the Bylaws of the Corporation.

TENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by law and this Amended and Restated Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

ELEVENTH: This Article is inserted for the management of the business and for the conduct of the affairs of the Corporation, and it is expressly provided that it is intended to be in furtherance and not in limitation or exclusion of the powers conferred by the statutes of the State of Delaware.

11.1 Number of Directors. The number of directors which shall constitute the whole Board of Directors shall be determined by resolution of a majority of the Board of Directors, but in no event shall be less than three. The number of directors may be decreased at any time and from time to time by a majority of the directors then in office, but only to eliminate vacancies existing by reason of the death, resignation, removal or expiration of the term of one or more directors. The directors shall be elected at the annual meeting of the stockholders by such stockholders as have the right to vote on such election. Directors need not be stockholders of the corporation.

11.2 Classes of Directors. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. No one class shall have more than one director more than any other class. If a fraction is contained in the quotient arrived at by dividing the authorized number of directors by three, then, if such fraction is one-third, the extra director shall be a member of Class I and, if such fraction is two-thirds, one of the extra directors shall be a member of Class I and the other extra director shall be a member of Class II, unless otherwise provided for from time to time by resolution adopted by a majority of the Board of Directors. The Class A Director shall be in Class I.

11.3 Election of Directors. The holders of Class A Common Stock, voting separately as a class, shall be entitled to elect one director (the "Class A Director"). All other directors shall be elected by the holders of the Class A Common Stock and Class B Common Stock, if any, voting together as a single class.

11.4 Terms of Office. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that each initial director in Class I shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's

fiscal year ending April 30, 1998; each initial director in Class II shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending April 30, 1999; and each initial director in Class III shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending April 30, 2000.

11.5 Allocation of Directors Among Classes in the Event of Increases or Decreases in the Number of Directors. In the event of any increase or decrease in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as director of the class of which he is a member until the expiration of his current term or his prior death, retirement or resignation and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to ensure that no one class has more than one director more than any other class. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the latest dates following such allocation, and any newly eliminated directorships shall be subtracted from

those classes whose terms of office are to expire at the earliest dates following such allocation, unless otherwise provided for from time to time by resolution adopted by a majority of the directors then in office, although less than a quorum.

11.6. Tenure. Notwithstanding any provisions to the contrary contained herein, each director shall hold office until his successor is elected and qualified, or until his earlier death, resignation or removal.

11.7. Vacancies. Any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board, may be filled only by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office, if applicable, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of the class for which such director shall have been chosen and until his successor is elected and qualified, or until his earlier death, resignation or removal.

11.8. Quorum. A majority of the total number of the whole Board of Directors shall constitute a quorum at all meetings of the Board of Directors. In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no case shall less than one-third (1/3) of the number so fixed constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without

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further notice other than announcement at the meeting, until a quorum shall be present.

11.9. Action at Meeting. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law or this Certificate of Incorporation or the By-Laws of the Corporation.

11.10. Removal. Any one or more or all of the directors may be removed, with or without cause, by the holders of shares representing at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast at any election of directors or class of directors (other than an election of the Class A Director); provided, however, that the Class A Director may be removed only by the holders of at least seventy-five percent (75%) of the outstanding shares of Class A Common Stock.

11.11. Stockholder Nominations and Introduction of Business, Etc. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided in the By-Laws of the Corporation.

TWELFTH: In addition to any other considerations which the Board of Directors may lawfully take into account in determining whether to take or to refrain from taking corporate action on any matter, including proposing any matter to the stockholders of the Corporation, the Board of Directors may take into account the interests of creditors, customers, employees and other constituencies of the Corporation and its subsidiaries and the effect thereof upon communities in which the Corporation and its subsidiaries do business.

THIRTEENTH: In furtherance and not in limitation of the powers conferred by law or in this Certificate of Incorporation, the Board of Directors (and any committee of the Board of Directors) is expressly authorized to take such action or actions as the Board or such committee may determine to be reasonably necessary or desirable to (a) encourage any person to enter into negotiations with the Board of Directors and management of the Corporation with respect to any transaction which may result in a change in control of the Corporation which is proposed or initiated by such person, or (b) contest or oppose any such transaction which the Board of Directors or such committee determines to be unfair, abusive or otherwise undesirable with respect to the Corporation and its business, assets or properties or the stockholders of the Corporation, including, without limitation, the adoption of such plans or the issuance of such rights, options, capital stock, notes, debentures or other evidence of

indebtedness or other securities of the Corporation, which rights, options, capital stock, notes, evidences of indebtedness and other securities (i) may be exchangeable for or convertible into cash or other securities on such terms and

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conditions as may be determined by the Board of Directors (or any such committee) and (ii) may provide for the treatment of any holder or class of holders thereof designated by the Board of Directors (or any such committee) in respect of the terms, conditions, provisions and rights of such securities which is different from, and unequal to, the terms, conditions, provisions and rights applicable to all other holders thereof.

FOURTEENTH: 14.1. In addition to any requirements of law and any other provisions of this Certificate of Incorporation or the terms of any series of Preferred Stock or any other securities of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the terms of any series of Preferred Stock or any other securities of the Corporation), the affirmative vote of the holders of shares representing at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast at any election of directors or class of directors (other than an election of the Class A Director) shall be required (x) to authorize any amendment, alteration or repeal of any provision of Article EIGHTH, Article ELEVENTH, Article TWELFTH, Article THIRTEENTH or this Article FOURTEENTH, or (y) to adopt any provision in this Certificate of Incorporation which is inconsistent with Article EIGHTH, Article ELEVENTH, Article TWELFTH or Article THIRTEENTH or this Article FOURTEENTH.

14.2. In furtherance and not in limitation of the power conferred upon the Board of Directors by law, the Board of Directors shall have power to make, adopt, alter, amend and repeal from time to time By-laws of the Corporation, subject to the right of the stockholders entitled to vote with respect thereto to amend, alter and repeal, in accordance with Section 14.3 hereof and the provisions of such By-laws, By-laws made by the Board of Directors.

14.3. Subject to the following paragraph, the By-laws of the Corporation may be altered, amended or repealed or new by-laws may be adopted by the affirmative vote of the holders of shares representing a majority of the votes which all of the stockholders would be entitled to cast at any election of directors or class of directors (other than an election of the Class A Director) at any regular meeting of stockholders, or at any special meeting of stockholders, provided notice of such alteration, amendment, repeal or adoption of new by-laws shall have been stated in the notice of such special meeting.

Notwithstanding any other provision of law, this Certificate of Incorporation (including the preceding paragraph) or the By-Laws, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of shares representing at least 75% of the votes which all the stockholders would be entitled to cast at any election of directors or class of directors (other than an election of the Class A Director) shall be required to amend or repeal, or to adopt any

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provision inconsistent with, the provisions of Sections 1.10 or 1.11, the provisions of Article II, or the provisions of Section 6.2 of the By-laws of the Corporation. In addition, the affirmative votes of said holders shall be required to permit the stockholders to adopt any provision of the Certificate of Incorporation which is inconsistent with any such provision of the By-laws.

IN WITNESS WHEREOF, Casella Waste Systems, Inc. has caused this Certificate to be signed in its name and on its behalf by its President this \_\_\_\_ day of October, 1997.

CASELLA WASTE SYSTEMS, INC.

By: \_\_\_\_\_  
John W. Casella  
President

SECOND AMENDED AND RESTATED  
BY-LAWS  
OF  
CASELLA WASTE SYSTEMS, INC.

Effective: \_\_\_\_\_, 1997

CASELLA WASTE SYSTEMS, INC.  
BY-LAWS

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BY-LAWS

OF

CASELLA WASTE SYSTEMS, INC.

ARTICLE 1 - Stockholders

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1.1 Place of Meetings. All meetings of stockholders shall be held at such place within or without the State of Delaware as may be designated from time to time by the Board of Directors or the President or, if not so designated, at the registered office of the corporation.

1.2 Annual Meeting. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on a date to be fixed by the Board of Directors or the President (which date shall not be a legal holiday in the place where the meeting is to be held) at the time and place to be fixed by the Board of Directors or the President and stated in the notice of the meeting. If no annual meeting is held in accordance with the foregoing provisions, the Board of Directors shall cause the meeting to be held as soon thereafter as convenient. If no annual meeting is held in accordance with the foregoing provisions, a special meeting may be held in lieu of the annual meeting, and any action taken

at that special meeting shall have the same effect as if it had been taken at the annual meeting, and in such case all references in these By-laws to the annual meeting of the stockholders shall be deemed to refer to such special meeting.

1.3 Special Meetings. Special meetings of stockholders may be called at any time by the President or by the Chairman of the Board. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

1.4 Notice of Meetings. Except as otherwise provided by law, written notice of each meeting of stockholders, whether annual or special, shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. The notices of all meetings shall state the place, date and hour of the meeting. The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation.

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1.5 Voting List. The officer who has charge of the stock ledger of the corporation shall prepare, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, at a place within the city where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting, and may be inspected by any stockholder who is present.

1.6 Quorum. Except as otherwise provided by law, the Certificate of Incorporation or these By-laws, the holders of shares representing a majority of the votes entitled to be cast on matters other than the election of the Class A Director, present in person or represented by proxy, shall constitute a quorum for the transaction of business; provided, however, that a quorum shall only be deemed to be present for purposes of the election of the Class A Director if the holders of shares representing a majority of the votes entitled to be cast by the holders of the Class A Common Stock are present or represented by proxy.

1.7 Adjournments. Any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under these By-laws by the stockholders present or represented at the meeting and entitled to vote, although less than a quorum, or, if no stockholder is present, by any officer entitled to preside at or to act as Secretary of such meeting. It shall not be necessary to notify any stockholder of any adjournment of less than 30 days if the time and place of the adjourned meeting are announced at the meeting at which adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting.

1.8 Voting and Proxies. Each stockholder shall have one vote for each share of stock entitled to vote held of record by such stockholder and a proportionate vote for each fractional share so held, unless otherwise provided in the Certificate of Incorporation. Each stockholder of record entitled to vote at a meeting of stockholders, or to express consent or dissent to corporate action in writing without a meeting, may vote or express such consent or dissent in person or may authorize another person or persons to vote or act for him by written proxy executed by the stockholder or his authorized agent and delivered to the Secretary of the corporation. No such proxy shall be voted or acted upon after three years from the date of its execution, unless the proxy expressly provides for a longer period.

1.9 Action at Meeting. When a quorum is present at any meeting, the holders of shares of stock representing a majority of the votes cast on a matter (or if

there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, the holders of shares of stock of that class representing a majority of the votes cast on a matter) shall decide any matter to be voted upon by the stockholders at such meeting, except when a different vote is required by express provision of law, the Certificate of Incorporation or these By-Laws. Except as otherwise provided by these By-laws, when a quorum is present at any meeting, any election by stockholders shall be determined by a plurality of the votes cast on the election.

1.10 Introduction of Business at Meeting. Except as otherwise provided by law, at any annual or special meeting of stockholders only such business shall be conducted as shall have been properly brought before the meeting. In order to be properly brought before the meeting, such business must have been either (A) specified in the written notice of the meeting (or any supplement thereto) given to stockholders of record on the record date for such meeting by or at the direction of the Board of Directors, (B) brought before the meeting at the direction of the Board of Directors or the chairman of the meeting or (C) specified in a written notice given by or on behalf of a stockholder of record on the record date for such meeting entitled to vote thereat or a duly authorized proxy for such stockholder, in accordance with all of the following requirements. A notice referred to in clause (C) hereof must be delivered personally to or mailed to and received at the principal executive office of the corporation, addressed to the attention of the Secretary, not more than ten (10) days after the date of the initial notice referred to in clause (A) hereof, in the case of business to be brought before a special meeting of stockholders, and not less than thirty (30) days prior to the first anniversary date of the initial notice referred to in clause (A) hereof to the previous year's annual meeting, in the case of business to be brought before an annual meeting of stockholders. Such notice referred to in clause (C) hereof shall set forth (i) a full description of each such item of business proposed to be brought before the meeting, (ii) the name and address of the person proposing to bring such business before the meeting, (iii) the class and number of shares held of record, held beneficially and represented by proxy by such person as of the record date for meeting (if such date has been made publicly available) and as of the date of such notice, (iv) if any item of such business involves nomination for director, all information regarding each such nominee that would be required to be set forth in a definitive proxy statement filed with the Securities and Exchange Commission pursuant to Section 14 of the Securities Act of 1934, as amended, or any successor thereto, and the written consent of each such nominee to serve if elected, and (v) all other information that would be required to be filed with the Securities and Exchange Commission if, with respect to the business proposed to be brought before the meeting, the person proposing such business was a participant in a solicitation subject to Section 14 of the Securities Exchange Act of 1934, as amended, or any successor thereto. No business shall be brought before any meeting of stockholders of the Corporation otherwise than as provided in this paragraph.

Nothing in the foregoing provisions shall obligate the corporation or the Board of Directors to include information as to any nominee for director submitted by a stockholder in any proxy statement or other communication sent to stockholders.

The chairman of the meeting may, if the facts warrant, determine and declare to the meeting that any proposed item of business was not brought before the meeting in accordance with the foregoing procedure and, if he should so determine, he shall so declare to the meeting and the defective item of business shall be disregarded.

1.11 Action without Meeting. Stockholders of the corporation may not take any action by written consent in lieu of a meeting.

## ARTICLE 2 - Directors

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2.1 General Powers. The business and affairs of the corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the corporation except as otherwise provided by law or the Certificate of Incorporation. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board until the vacancy is filled.

2.2 Number of Directors. The number of directors which shall constitute the whole Board of Directors shall be determined by resolution of a majority of the Board of Directors, but in no event shall be less than three. The number of directors may be decreased at any time and from time to time by a majority of the directors then in office, but only to eliminate vacancies existing by reason of the death, resignation, removal or expiration of the term of one or more directors. The directors shall be elected at the annual meeting of the stockholders by such stockholders as have the right to vote on such election. Directors need not be stockholders of the corporation.

2.3 Classes of Directors. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. No one class shall have more than one director more than any other class. If a fraction is contained in the quotient arrived at by dividing the authorized number of directors by three, then, if such fraction is one-third, the extra director shall be a member of Class I and, if such fraction is two-thirds, one of the extra directors shall be a member of Class I and the other extra director shall be a member of Class II, unless otherwise provided for from time to time by resolution adopted by a majority of the Board of Directors. The Class A Director shall be in Class I.

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2.4 Election of Directors. The holders of Class A Common Stock, voting separately as a class, shall be entitled to elect one director (the "Class A Director"). All other directors shall be elected by the holders of the Class A Common Stock and Class B Common Stock, if any, voting together as a single class.

2.5 Terms of Office. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that each initial director in Class I shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending April 30, 1998; each initial director in Class II shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending April 30, 1999; and each initial director in Class III shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending April 30, 2000.

2.6 Allocation of Directors Among Classes in the Event of Increases or Decreases in the Number of Directors. In the event of any increase or decrease in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as director of the class of which he is a member until the expiration of his current term or his prior death, retirement or resignation and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to ensure that no one class has more than one director more than any other class. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the latest dates following such allocation, and any newly eliminated directorships shall be subtracted from those classes whose terms of office are to expire at the earliest dates following such allocation, unless otherwise provided for from time to time by resolution adopted by a majority of the directors then in office, although less than a quorum.

2.7 Tenure. Notwithstanding any provisions to the contrary contained herein, each director shall hold office until his successor is elected and qualified, or until his earlier death, resignation or removal.

2.8 Vacancies. Any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board, may be filled only by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office, if applicable, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of the class for which such director shall have been chosen and until his successor is elected and qualified, or until his earlier death, resignation or removal.

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2.9 Quorum. A majority of the total number of the whole Board of Directors shall constitute a quorum at all meetings of the Board of Directors. In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no case shall less than one-third (1/3) of the number so fixed constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

2.10 Action at Meeting. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law or the Certificate of Incorporation or these By-Laws.

2.11 Removal. Any one or more or all of the directors may be removed, with or without cause, by the holders of shares representing at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast at any election of directors or class of directors (other than an election of the Class A Director); provided, however, that the Class A Director may be removed only by the holders of at least seventy-five percent (75%) of the outstanding shares of Class A Common Stock.

2.12 Resignation. Any director may resign by delivering his written resignation to the corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

2.13 Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place, either within or without the State of Delaware, as shall be determined from time to time by the Board of Directors; provided that any director who is absent when such a determination is made shall be given notice of the determination. A regular meeting of the Board of Directors may be held without notice immediately after and at the same place as the annual meeting of stockholders.

2.14 Special Meetings. Special meetings of the Board of Directors may be held at any time and place, within or without the State of Delaware, designated in a call by the Chairman of the Board, President, two or more directors, or by one director in the event that there is only a single director in office.

2.15 Notice of Special Meetings. Notice of any special meeting of directors shall be given to each director by the Secretary or by the officer or one of the

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directors calling the meeting. Notice shall be duly given to each director (i) by giving notice to such director in person or by telephone at least 48 hours in advance of the meeting, (ii) by sending a telegram or telex, or delivering written notice by hand, to his last known business or home address at least 48 hours in advance of the meeting, or (iii) by mailing written notice to his last known business or home address at least 72 hours in advance of the meeting. A

notice or waiver of notice of a meeting of the Board of Directors need not specify the purposes of the meeting.

2.16 Meetings by Telephone Conference Calls. Directors or any members of any committee designated by the directors may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

2.17 Action by Consent. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee of the Board of Directors may be taken without a meeting, if all members of the Board or committee, as the case may be, consent to the action in writing, and the written consents are filed with the minutes of proceedings of the Board or committee.

2.18 Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors and subject to the provisions of the General Corporation Law of the State of Delaware, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation and may authorize the seal of the corporation to be affixed to all papers which may require it. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these By-laws for the Board of Directors.

2.19 Compensation of Directors. Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board of Directors may from time to time determine. No such payment shall

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preclude any director from serving the corporation or any of its parent or subsidiary corporations in any other capacity and receiving compensation for such service.

ARTICLE 3 - Officers  
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3.1 Enumeration. The officers of the corporation shall consist of a President, a Secretary, a Treasurer and such other officers with such other titles as the Board of Directors shall determine, including a Chairman of the Board, a Vice-Chairman of the Board, and one or more Vice Presidents, Assistant Treasurers, and Assistant Secretaries. The Board of Directors may appoint such other officers as it may deem appropriate.

3.2 Election. The President, Treasurer and Secretary shall be elected annually by the Board of Directors at its first meeting following the annual meeting of stockholders. Other officers may be appointed by the Board of Directors at such meeting or at any other meeting.

3.3 Qualification. No officer need be a stockholder. Any two or more offices may be held by the same person.

3.4 Tenure. Except as otherwise provided by law, by the Certificate of Incorporation or by these By-laws, each officer shall hold office until his successor is elected and qualified, unless a different term is specified in the vote choosing or appointing him, or until his earlier death, resignation or removal.

3.5 Resignation and Removal. Any officer may resign by delivering his written resignation to the corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

Any officer may be removed at any time, with or without cause, by vote of a majority of the entire number of directors then in office.

Except as the Board of Directors may otherwise determine, no officer who resigns or is removed shall have any right to any compensation as an officer for any period following his resignation or removal, or any right to damages on account of such removal, whether his compensation be by the month or by the year or otherwise, unless such compensation is expressly provided in a duly authorized written agreement with the corporation.

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3.6 Vacancies. The Board of Directors may fill any vacancy occurring in any office for any reason and may, in its discretion, leave unfilled for such period as it may determine any offices other than those of President, Treasurer and Secretary. Each such successor shall hold office for the unexpired term of his predecessor and until his successor is elected and qualified, or until his earlier death, resignation or removal.

3.7 Chairman of the Board and Vice-Chairman of the Board. The Board of Directors may appoint a Chairman of the Board and may designate the Chairman of the Board as Chief Executive Officer. If the Board of Directors appoints a Chairman of the Board, he shall perform such duties and possess such powers as are assigned to him by the Board of Directors. If the Board of Directors appoints a Vice-Chairman of the Board, he shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board and shall perform such other duties and possess such other powers as may from time to time be vested in him by the Board of Directors.

3.8 President. The President shall, subject to the direction of the Board of Directors, have general charge and supervision of the business of the corporation. Unless otherwise provided by the Board of Directors, he shall preside at all meetings of the stockholders and, if he is a director, at all meetings of the Board of Directors. Unless the Board of Directors has designated the Chairman of the Board or another officer as Chief Executive Officer, the President shall be the Chief Executive Officer of the corporation. The President shall perform such other duties and shall have such other powers as the Board of Directors may from time to time prescribe.

3.9 Vice Presidents. Any Vice President shall perform such duties and possess such powers as the Board of Directors or the President may from time to time prescribe. In the event of the absence, inability or refusal to act of the President, the Vice President (or if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors) shall perform the duties of the President and when so performing shall have all the powers of and be subject to all the restrictions upon the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board of Directors.

3.10 Secretary and Assistant Secretaries. The Secretary shall perform such duties and shall have such powers as the Board of Directors or the President may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of the secretary, including without limitation the duty and power to give notices of all meetings of stockholders and special meetings of the Board of Directors, to attend all meetings of stockholders and the Board of Directors and keep a record of the proceedings, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be

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custodian of corporate records and the corporate seal and to affix and attest to the same on documents.

Any Assistant Secretary shall perform such duties and possess such powers as the Board of Directors, the President or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary, (or if there shall be more than one, the Assistant Secretaries in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Secretary.

In the absence of the Secretary or any Assistant Secretary at any meeting of stockholders or directors, the person presiding at the meeting shall designate a temporary secretary to keep a record of the meeting.

3.11 Treasurer and Assistant Treasurers. The Treasurer shall perform such duties and shall have such powers as may from time to time be assigned to him by the Board of Directors or the President. In addition, the Treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation the duty and power to keep and be responsible for all funds and securities of the corporation, to deposit funds of the corporation in depositories selected in accordance with these By-laws, to disburse such funds as ordered by the Board of Directors, to make proper accounts of such funds, and to render as required by the Board of Directors statements of all such transactions and of the financial condition of the corporation.

The Assistant Treasurers shall perform such duties and possess such powers as the Board of Directors, the President or the Treasurer may from time to time prescribe. In the event of the absence, inability or refusal to act of the Treasurer, the Assistant Treasurer, (or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Treasurer.

3.12 Salaries. Officers of the corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board of Directors.

#### ARTICLE 4 - Capital Stock

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4.1 Issuance of Stock. Unless otherwise voted by the stockholders and subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the corporation or the whole or any part of any unissued balance of the authorized capital stock of the corporation

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held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such consideration and on such terms as the Board of Directors may determine.

4.2 Certificates of Stock. Every holder of stock of the corporation shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board of Directors, certifying the number and class of shares owned by him in the corporation. Each such certificate shall be signed by, or in the name of the corporation by, the Chairman or Vice-Chairman, if any, of the Board of Directors, or the President or a Vice President, and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation. Any or all of the signatures on the certificate may be a facsimile.

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, the By-laws, applicable securities laws or any agreement among any number of shareholders or among such holders and the corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

If the corporation shall be authorized to issue more than one class of

stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of each certificate representing shares of such class or series of stock, provided that in lieu of the foregoing requirements there may be set forth on the face or back of each certificate representing shares of such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests a copy of the full text of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

4.3 Transfers. Except as otherwise established by rules and regulations adopted by the Board of Directors, and subject to applicable law, shares of stock may be transferred on the books of the corporation by the surrender to the corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or the authenticity of signature as the corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the Certificate of Incorporation or by these By-laws, the corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of

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such stock until the shares have been transferred on the books of the corporation in accordance with the requirements of these By-laws.

4.4 Lost, Stolen or Destroyed Certificates. The corporation may issue a new certificate of stock in place of any previously issued certificate alleged to have been lost, stolen, or destroyed, upon such terms and conditions as the Board of Directors may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity as the Board of Directors may require for the protection of the corporation or any transfer agent or registrar.

4.5 Record Date. The Board of Directors may fix in advance a date as a record date for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders or to express consent (or dissent) to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action. Such record date shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 10 days after the date of adoption of a record date for a written consent without a meeting, nor more than 60 days prior to any other action to which such record date relates.

If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day before the day on which notice is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held. The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is properly delivered to the corporation. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

5.1 Fiscal Year. Except as from time to time otherwise designated by the Board of Directors, the fiscal year of the corporation shall begin on the first day of May in each year and end on the last day of April in each year.

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5.2 Corporate Seal. The corporate seal shall be in such form as shall be approved by the Board of Directors.

5.3 Waiver of Notice. Whenever any notice whatsoever is required to be given by law, by the Certificate of Incorporation or by these By-laws, a waiver of such notice either in writing signed by the person entitled to such notice or such person's duly authorized attorney, or by telegraph, cable or any other available method, whether before, at or after the time stated in such waiver, or the appearance of such person or persons at such meeting in person or by proxy, shall be deemed equivalent to such notice.

5.4 Voting of Securities. Except as the directors may otherwise designate, the President or Treasurer may waive notice of, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact for this corporation (with or without power of substitution) at, any meeting of stockholders or shareholders of any other corporation or organization, the securities of which may be held by this corporation.

5.5 Evidence of Authority. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the corporation shall as to all persons who rely on the certificate in good faith be conclusive evidence of such action.

5.6 Certificate of Incorporation. All references in these By-laws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the corporation, as amended and in effect from time to time.

5.7 Transactions with Interested Parties. Except as otherwise specified by the Board of Directors, no contract or transaction between the corporation and one or more of the directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of the directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or a committee of the Board of Directors which authorizes the contract or transaction or solely because his or their votes are counted for such purpose, if:

(1) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum;

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(2) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(3) The contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee of the Board of Directors, or the stockholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

5.8 Severability. Any determination that any provision of these By-laws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these By-laws.

5.9 Pronouns. All pronouns used in these By-laws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

ARTICLE 6 - Amendments  
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6.1 By the Board of Directors. These By-laws may be altered, amended or repealed or new by-laws may be adopted by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present.

6.2 By the Stockholders. Subject to the following paragraph, these By-laws may be altered, amended or repealed or new by-laws may be adopted by the affirmative vote of the holders of shares representing a majority of the votes which all of the stockholders would be entitled to cast at any election of directors or class of directors (other than an election of the Class A Director) at any regular meeting of stockholders, or at any special meeting of stockholders, provided notice of such alteration, amendment, repeal or adoption of new by-laws shall have been stated in the notice of such special meeting.

Notwithstanding any other provision of law, the Certificate of Incorporation or these By-Laws (including the preceding paragraph), and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of shares representing at least 75% of the votes which all the stockholders would be entitled to cast at any election of directors or class of directors (other than an election

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of the Class A Director) shall be required to amend or repeal, or to adopt any provision inconsistent with, the provisions of Sections 1.10 or 1.11, the provisions of Article II, or the provisions of this Section 6.2.

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617-526-6000 - Fax 617-526-5000

September 24, 1997

Casella Waste Systems, Inc.  
25 Greens Hill Lane  
Rutland, VT 05701

Ladies and Gentlemen:

This opinion is furnished to you in connection with a Registration Statement on Form S-1 (File No. 333-33135, the "Registration Statement") filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended, for the registration of 4,025,000 shares of Class A Common Stock, \$0.01 par value per share (the "Shares"), of Casella Waste Systems, Inc., a Delaware corporation (the "Company"), including 525,000 Shares issuable upon exercise of an overallotment option granted by certain selling stockholders (the "Selling Stockholders").

The Shares are to be sold by the Company and the Selling Stockholders pursuant to an underwriting agreement (the "Underwriting Agreement") to be entered into by and among the Company and Goldman, Sachs & Co., Donaldson, Lufkin & Jenrette Securities Corporation and Oppenheimer & Co., Inc., as representatives of the several underwriters named in the Underwriting Agreement (the "Representatives").

We have acted as counsel for the Company in connection with the issue and sale by the Company and the Selling Stockholders of the Shares. We have examined signed copies of the Registration Statement and all exhibits thereto, all as filed with the Commission. We have also examined and relied upon the original or copies of minutes of the meetings of the stockholders and the Board of Directors of the Company, stock record books of the Company, a copy of the Amended and Restated By-Laws of the Company, a copy of the Amended and Restated Certificate of Incorporation of the Company, and such other documents as we have deemed necessary for purposes of rendering the opinions hereinafter set forth.

In our examination of the foregoing documents, we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, and the authenticity of the originals of such documents.

We assume that the appropriate action will be taken, prior to the offer and sale of the Shares in accordance with the Underwriting Agreement, to register and qualify the Shares for sale under all applicable state securities, or "Blue Sky", laws.

Based upon and subject to the foregoing, we are of the opinion that the Shares have been duly authorized and, when issued and sold by the Company or sold by the Selling Stockholders pursuant to the Underwriting Agreement, such Shares will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as part of the Registration Statement and to the use of our name therein and in the related Prospectus under the caption "Legal Matters."

It is understood that this opinion is to be used only in connection with the offer of the Shares while the Registration Statement is in effect.

This opinion is based upon currently existing statutes, rules, regulations and judicial decisions, and we disclaim any obligations to advise you of any change in any of these sources of law or subsequent legal or factual developments which might affect any matters or opinions set forth herein.

Please note that we are opining only as to the matters expressly set forth herein, and no opinion should be inferred as to any other matters.

Very truly yours,

/s/ Hale and Dorr LLP

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HALE AND DORR LLP

CASELLA WASTE SYSTEMS, INC.

1997 STOCK INCENTIVE PLAN

1. Purpose

The purpose of this 1997 Stock Incentive Plan (the "Plan") of Casella Waste Systems, Inc., a Delaware corporation (the "Company"), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing such persons with equity ownership opportunities and performance-based incentives and thereby better aligning the interests of such persons with those of the Company's stockholders. Except where the context otherwise requires, the term "Company" shall include any present or future subsidiary corporations of Casella Waste Systems, Inc. as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code").

2. Eligibility

All of the Company's employees, officers, directors, consultants and advisors are eligible to be granted options, restricted stock, or other stock-based awards (each, an "Award") under the Plan. Any person who has been granted an Award under the Plan shall be deemed a "Participant".

3. Administration, Delegation

- (a) Administration by Board of Directors. The Plan will be administered by the Board of Directors of the Company (the "Board"). The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under the Plan made in good faith.
- (b) Delegation to Executive Officers. To the extent permitted by applicable law, the Board may delegate to one or more executive officers of the Company the power to make Awards and exercise such other powers under the Plan as the Board may determine, provided that the Board

shall fix the maximum number of shares subject to Awards and the maximum number of shares for any one Participant to be made by such executive officers.

- (c) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a "Committee"). If and when the Class A Common Stock, \$.01 par value per share, of the Company (the "Common Stock") is registered under the Securities Exchange Act of 1934 (the "Exchange Act"), the Board shall appoint one such Committee of not less than two members, each member of which shall be an "outside director" within the meaning of Section 162(m) of the Code and a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act." All references in the Plan to the "Board" shall mean the Board or a Committee of the Board or the executive officer referred to in Section 3(b) to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or executive officer.

4. Stock Available for Awards

- (a) Number of Shares. Subject to adjustment under Section 4(c), Awards may be made under the Plan for up to such number of shares of Common Stock as is equal to the sum of (i) 1,000,000 shares of Common Stock plus the sum of (x) the number of shares which remain available for grant under the Company's 1996 Stock Option Plan on the Effective Date, and (y) the number of shares subject to options granted under the Company's 1993 Incentive Stock Option Plan, 1994 Nonstatutory Stock Option Plan and 1996 Stock Option Plan and outstanding as of the Effective Date which are not actually issued because such options expire or otherwise result in shares not being issued. If any Award expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part or results in any Common Stock not being issued, the unused Common Stock covered by such Award shall again be available for the grant of Awards under the Plan, subject, however, in the case of Incentive Stock Options (as hereinafter defined), to any limitation required under the Code. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.
- (b) Per-Participant Limit. Subject to adjustment under Section 4(c), for Awards granted after the Common Stock is registered under the Exchange Act, the maximum number of shares with respect to which an Award may be granted to any Participant under the Plan shall be

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200,000 per calendar year. The per-participant limit described in this Section 4(b) shall be construed and applied consistently with Section 162(m) of the Code.

- (c) Adjustment to Common Stock. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a normal cash dividend, (i) the number and class of securities available under this Plan, (ii) the number and class of security and exercise price per share subject to each outstanding Option, (iii) the repurchase price per security subject to each outstanding Restricted Stock Award, and (iv) the terms of each other outstanding stock-based Award shall be appropriately adjusted by the Company (or substituted Awards may be made, if applicable) to the extent the Board shall determine, in good faith, that such an adjustment (or substitution) is necessary and appropriate. If this Section 4(c) applies and Section 8(e)(1) also applies to any event, Section 8(e)(1) shall be applicable to such event, and this Section 4(c) shall not be applicable.

## 5. Stock Options

- (a) General. The Board may grant options to purchase Common Stock (each, an "Option") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable. An Option which is not intended to be an Incentive Stock Option (as hereinafter defined) shall be designated a "Nonstatutory Stock Option".
- (b) Incentive Stock Options. An Option that the Board intends to be an "incentive stock option" as defined in Section 422 of the Code (an "Incentive Stock Option") shall only be granted to employees of the Company and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) which is intended to be an Incentive Stock Option is not an Incentive Stock Option.
- (c) Exercise Price. The Board shall establish the exercise price at the time each Option is granted and specify it in the applicable option agreement; provided, however, that no Options will be granted at an

exercise price which is below the fair market value of the Common Stock covered thereby.

- (d) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement; provided, however, that no option shall be exercisable more than ten years after the date of grant thereof.
- (e) Exercise of Option. Options may be exercised only by delivery to the Company of a written notice of exercise signed by the proper person together with payment in full as specified in Section 5(f) for the number of shares for which the Option is exercised.
- (f) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:
  - (1) in cash or by check, payable to the order of the Company;
  - (2) except as the Board may otherwise provide in an Option Agreement, (i) by delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price, or delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price, or (ii) by delivery of shares of Common Stock owned by the Participant valued at their fair market value as determined by the Board in good faith ("Fair Market Value"), which Common Stock was owned by the Participant at least six months prior to such delivery;
  - (3) to the extent permitted by the Board and explicitly provided in an Option Agreement (i) by delivery of a promissory note of the Participant to the Company on terms determined by the Board, or (ii) by payment of such other lawful consideration as the Board may determine; or
  - (4) any combination of the above permitted forms of payment.

#### 6. Restricted Stock

- (a) Grants. The Board may grant Awards entitling recipients to acquire shares of Common Stock, subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated

or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award (each, "Restricted Stock Award").

- (b) Terms and Conditions. The Board shall determine the terms and conditions of any such Restricted Stock Award, including the conditions for repurchase (or forfeiture) and the issue price, if any. Any stock certificates issued in respect of a Restricted Stock Award shall be registered in the name of the Participant and, unless otherwise determined by the Board, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to the beneficiary designated, in a manner

determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "Designated Beneficiary"). In the absence of an effective designation by a Participant, Designated Beneficiary shall mean the Participant's estate.

#### 7. Other Stock-Based Awards

The Board shall have the right to grant other Awards based upon the Common Stock having such terms and conditions as the Board may determine, including the grant of shares based upon certain conditions, the grant of securities convertible into Common Stock and the grant of stock appreciation rights.

#### 8. General Provisions Applicable to Awards

- (a) Transferability of Awards. Except as the Board may otherwise determine or provide in an Award, Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the life of the Participant, shall be exercisable only by the Participant. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.
- (b) Documentation. Each Award under the Plan shall be evidenced by a written instrument in such form as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

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- (c) Board Discretion. Except as otherwise provided by the Plan, each type of Award may be made alone or in addition or in relation to any other type of Award. The terms of each type of Award need not be identical, and the Board need not treat Participants uniformly.
- (d) Termination of Status. The Board shall determine the effect on an Award of the disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, the Participant's legal representative, conservator, guardian or Designated Beneficiary may exercise rights under the Award.
- (e) Acquisition Events
  - (1) Consequences of Acquisition Events. Upon the occurrence of an Acquisition Event (as defined below), or the execution by the Company of any agreement with respect to an Acquisition Event, the Board shall provide that outstanding Options shall be assumed, or equivalent Options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), provided that any such Options substituted for Incentive Stock Options shall satisfy, in the determination of the Board, the requirements of Section 424(a) of the Code; provided, however, that in the event the acquiring or succeeding corporation does not agree to assume all such Options or other Awards, the Board shall take any one or more of the following actions with respect to then outstanding Options or other Awards not so assumed: (i) upon written notice to the Participants, provide that all then unexercised Options will become exercisable in full as of a specified time (the "Acceleration Time") prior to the Acquisition Event and will terminate immediately prior to the consummation of such Acquisition Event, except to the extent exercised by the Participants between the Acceleration Time and the consummation of such Acquisition Event; (ii) in the event of an Acquisition Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share of Common Stock surrendered pursuant to such Acquisition Event (the "Acquisition Price"), provide that all outstanding Options

shall terminate upon consummation of such Acquisition Event and each Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (A) the Acquisition Price multiplied by the number of shares of Common Stock subject to such outstanding Options (whether or

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not then exercisable), exceeds (B) the aggregate exercise price of such Options; (iii) provide that all Restricted Stock Awards then outstanding shall become free of all restrictions prior to the consummation of the Acquisition Event; and (iv) provide that any other stock-based Awards outstanding (A) shall become exercisable, realizable or vested in full, or shall be free of all conditions or restrictions, as applicable to each such Award, prior to the consummation of the Acquisition Event, or (B), if applicable, shall be assumed, or equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof).

An "Acquisition Event" shall mean: (a) any merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto representing immediately thereafter (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity) less than 50% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such merger or consolidation; (b) any sale of all or substantially all of the assets of the Company; or (c) the complete liquidation of the Company.

- (2) Assumption of Options Upon Certain Events. The Board may grant Awards under the Plan in substitution for stock and stock-based awards held by employees of another corporation who become employees of the Company as a result of a merger or consolidation of the employing corporation with the Company or the acquisition by the Company of property or stock of the employing corporation. The substitute Awards shall be granted on such terms and conditions as the Board considers appropriate in the circumstances.

(f) Withholding. Each Participant shall pay to the Company, or make provision satisfactory to the Board for payment of, any taxes required by law to be withheld in connection with Awards to such Participant no later than the date of the event creating the tax liability. The Board may allow Participants to satisfy such tax obligations in whole or in part in shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value. The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to a Participant.

(g) Amendment of Award. The Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option, provided

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that the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant.

(h) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied,

including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(i) Acceleration. The Board may at any time provide that any Options shall become immediately exercisable in full or in part, that any Restricted Stock Awards shall be free of all restrictions or that any other stock-based Awards may become exercisable in full or in part or free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

#### 9. Miscellaneous

- (a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.
- (b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.
- (c) Effective Date and Term of Plan. The Plan shall become effective on the closing of the Company's initial public offering (the "Effective Date"), but no Award granted to a Participant designated as subject to Section 162(m) by the Board shall become exercisable, vested or realizable, as applicable to such Award, unless and until the Plan has been approved by the Company's stockholders to the extent Section 162(m) requires

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stockholder approval. No Awards shall be granted under the Plan after the completion of ten years from the earlier of (i) the date on which the Plan was adopted by the Board or (ii) the date the Plan was approved by the Company's stockholders, but Awards previously granted may extend beyond that date.

- (d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time, provided that no Award granted to a Participant designated as subject to Section 162(m) by the Board after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award (to the extent that such amendment to the Plan was required to grant such Award to a particular Participant), unless and until such amendment shall have been approved by the Company's stockholders.
- (e) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law.

Adopted by the Board of  
Directors on July 31, 1997

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CASELLA WASTE SYSTEMS, INC.

1997 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

1. Purpose.

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The purpose of this 1997 Non-Employee Director Stock Option Plan (the "Plan") of Casella Waste Systems, Inc. (the "Company") is to encourage ownership in the Company by non-employee directors of the Company whose continued services are considered essential to the Company's future progress and to provide them with a further incentive to remain as directors of the Company.

2. Administration.

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The Board of Directors shall supervise and administer the Plan. Grants of stock options under the Plan and the amount and nature of the awards to be granted shall be automatic in accordance with Section 5. However, all questions concerning interpretation of the Plan or any options granted under it shall be resolved by the Board of Directors and such resolution shall be final and binding upon all persons having an interest in the Plan. The Board of Directors may, to the full extent permitted by or consistent with applicable laws or regulations, delegate any or all of its powers under the Plan to a committee appointed by the Board of Directors, and if a committee is so appointed, all references to the Board of Directors in the Plan shall mean and relate to such committee.

3. Participation in the Plan.

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Directors of the Company who are not employees of the Company or any subsidiary of the Company ("non-employee directors") shall be eligible to receive options under the Plan.

4. Stock Subject to the Plan.

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(a) The maximum number of shares of the Company's Class A Common Stock, par value \$.01 per share ("Common Stock"), which may be issued under the Plan shall be 50,000 shares, subject to adjustment as provided in Section 7.

(b) If any outstanding option under the Plan for any reason expires or is terminated without having been exercised in full, the shares covered by the unexercised portion of such option shall again become available for issuance pursuant to the Plan.

(c) All options granted under the Plan shall be non-statutory options not entitled to special tax treatment under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

(d) Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

5. Terms, Conditions and Form of Options.

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Each option granted under the Plan shall be evidenced by a written agreement in such form as the Board of Directors shall from time to time approve, which agreements shall comply with and be subject to the following terms and conditions:

(a) Option Grant Dates. Options shall automatically be granted to all non-employee directors as follows:

(i) each person who first becomes a non-employee director after

the closing date (the "Closing Date") of the Company's initial public offering of Common Stock pursuant to an effective registration statement under the Securities Act of 1933, as amended shall be granted an option to purchase 5,000 shares of Common Stock on the date of his or her initial election to the Board of Directors; and

(ii) each non-employee director shall be granted an option to purchase 2,000 shares of Common Stock on the date of each Annual Meeting of Stockholders of the Company commencing with the 1998 Annual Meeting of Stockholders (other than a director who was initially elected to the Board of Directors at any such Annual Meeting or, if previously, at any time after the prior year's Annual Meeting of Stockholders), provided that he or she is serving as a director immediately following such Annual Meeting.

(b) Option Exercise Price. The option exercise price per share for each option granted under the Plan shall equal (i) the last reported sales price per share of the Company's Common Stock on the Nasdaq National Market (or if the Common Stock is traded on a national securities exchange on the date of grant, the reported closing sales price per share of the Company's Common Stock on such exchange) on the date of grant (or if no such price is reported on such date such price as reported on the nearest preceding day) or (ii) if the Common Stock is not traded on the Nasdaq National Market or a national securities exchange, the fair market value per share on the date of grant as most recently determined by the Board of Directors.

(c) Transferability of Options. Except as the Board may otherwise determine or provide in an option granted under the Plan, any option granted under the Plan to an optionee shall not be transferable by the optionee other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder, and shall be exercisable during the optionee's lifetime only by the optionee or the optionee's guardian or legal representative. References to an optionee, to the extent relevant in the context, shall include references to authorized transferees.

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(d) Vesting Period.

(i) General. Each option granted under the Plan shall become exercisable in three equal annual installments beginning on the first anniversary of the Option Grant Date; provided, however, that the optionee has continued to serve as a director until at least the Annual Meeting of Stockholders immediately preceding such vesting date.

(ii) Acceleration Upon Change in Control. Notwithstanding the foregoing, each outstanding option granted under the Plan shall immediately become exercisable in full in the event a Change in Control (as defined in Section 8) of the Company occurs.

(e) Termination. Each option shall terminate, and may no longer be exercised, on the earlier of the (i) the date ten years after the grant date of such option or (ii) the date 90 days after the optionee ceases to serve as a director of the Company; provided that, in the event an optionee ceases to serve as a director due to his or her death or disability (within the meaning of Section 22(e)(3) of the Code or any successor provision), then the exercisable portion of the option may be exercised, within the period of 180 days following the date the optionee ceases to serve as a director (but in no event later than ten years after the Option Grant Date), by the optionee or by the person to whom the option is transferred in accordance with the terms of this Plan and the applicable option agreement, or by written notice pursuant to Section 5(g).

(f) Exercise Procedure. An option may be exercised only by written notice to the Company at its principal office accompanied by (i) payment in cash or by certified or bank check of the full consideration for the shares as to which they are exercised, (ii) delivery of outstanding shares of Common Stock (which, in the case of shares acquired from the Company, have been outstanding for at least six months) having a fair market value on the last business day preceding the date of exercise equal to the option exercise price, or (iii) an irrevocable undertaking by a broker (who is a member of the New York Stock Exchange) to deliver promptly to the Company sufficient funds to pay the exercise price or delivery of irrevocable instructions to a broker (who is a member of the New

York Stock Exchange) to deliver promptly to the Company cash or a check sufficient to pay the exercise price.

(g) Exercise by Representative Following Death of Director. An optionee, by written notice to the Company, may designate one or more persons (and from time to time change such designation), including his or her legal representative, who, by reason of the optionee's death, shall acquire the right to exercise all or a portion of the option. If the person or persons so designated wish to exercise any portion of the option, they must do so within the term of the option as provided herein. Any exercise by a representative shall be subject to the provisions of the Plan.

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6. Limitation of Rights.

(a) No Right to Continue as a Director. Neither the Plan, nor the granting of an option nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain the optionee as a director for any period of time.

(b) No Stockholders' Rights for Options. An optionee shall have no rights as a stockholder with respect to the shares covered by his or her option until the date of the issuance to him or her of a stock certificate therefor, and no adjustment will be made for dividends or other rights (except as provided in Section 7) for which the record date is prior to the date such certificate is issued.

(c) Compliance with Securities Laws. Each option shall be subject to the requirement that if, at any time, counsel to the Company shall determine that the listing, registration or qualification of the shares subject to such option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, or the disclosure of non-public information or the satisfaction of any other condition is necessary as a condition of, or in connection with, the issuance or purchase of shares thereunder, such option may not be exercised, in whole or in part, unless such listing, registration, qualification, consent or approval, or satisfaction of such condition shall have been effected or obtained on conditions acceptable to the Board of Directors. Nothing herein shall be deemed to require the Company to apply for or obtain such listing, registration or qualification, or to satisfy such condition.

7. Adjustment Provisions for Mergers, Recapitalizations and Related Transactions.

If, through or as a result of any merger, consolidation, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar transaction, (i) the outstanding shares of Common Stock are exchanged for a different number or kind of securities of the Company or of another entity, or (ii) additional shares or new or different shares or other securities of the Company or of another entity are distributed with respect to such shares of Common Stock, the Board of Directors shall make an appropriate and proportionate adjustment in (x) the maximum number and kind of shares reserved for issuance under the Plan, (y) the number and kind of shares or other securities subject to then outstanding options under the Plan, and (z) the price for each share subject to any then outstanding options under the Plan (without changing the aggregate purchase price for such options), to the end that each option shall be exercisable, for the same aggregate exercise price, for such securities as such optionholder would have held immediately following such event if he had exercised such option immediately prior to such event. No fractional shares will be issued under the Plan on account of any such adjustments.

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8. Change in Control.

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For purposes of the Plan, a "Change in Control" shall be deemed to have occurred only if any of the following events occurs: (i) any "person", as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (other than by virtue of ownership of the Company's Class B Common Stock) representing 50% or more of the combined voting power of the Company's then outstanding securities; (ii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; (iii) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or (iv) individuals who, on the date on which the Plan was adopted by the Board of Directors, constituted the Board of Directors of the Company, together with any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who were directors on the date on which the Plan was adopted by the Board of Directors or whose election or nomination was previously so approved (except for any individual whose election as a director occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board of Directors), cease for any reason to constitute at least a majority of the Board of Directors.

9. Termination and Amendment of the Plan.  
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The Board of Directors may suspend or terminate the Plan or amend it in any respect whatsoever.

10. Notice.  
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Any written notice to the Company required by any of the provisions of the Plan shall be addressed to the Treasurer of the Company and shall become effective when it is received.

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11. Governing Law.  
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The Plan and all determinations made and actions taken pursuant hereto shall be governed by the internal laws of the State of Delaware (without regard to any applicable conflicts of laws or principles).

12. Effective Date.  
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The Plan shall become effective on the Closing Date.

Adopted by the Board of Directors on  
July 31, 1997.

Approved by the stockholders as of  
September \_\_, 1997.



REGISTRATION RIGHTS AGREEMENT

January 3, 1996

Susan Olivieri  
79 East Wilder Road  
West Lebanon, NH 03784

Robert MacNeil  
79 East Wilder Road  
West Lebanon, NH 03784

Dear Purchasers:

This will confirm that, in consideration of the Asset Purchase Agreement between Casella Waste Management, Inc., a subsidiary of Casella Waste Systems, Inc., a Delaware corporation (the "Corporation"), and Northeast Waste Services, Ltd., dated January 3, 1996 (the "Asset Purchase Agreement"), pursuant to which Casella Waste Management, Inc. will acquire certain assets of Northeast Waste Services, Ltd. and enter into certain arrangements with the Purchasers for consideration including stock purchase warrants to purchase shares of Class A Common Stock, \$.01 par value, of the Corporation (the "Warrants") and in order to induce you to consummate the transaction contemplated by the Asset Purchase Agreement, the Corporation hereby covenants and agrees with you, and with each subsequent holder of Restricted Securities (as such term is defined herein), as follows:

1. Certain Definitions.. As used in this Agreement, the following terms shall have the following respective meanings:

"Charter" shall mean the Corporation's Amended and Restated Certificate of Incorporation.

"Commission" shall mean the Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act.

"Common Stock" shall mean the Class A Common Stock, \$.01 par value per share, of the Corporation, as constituted as of the date of this Agreement.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Purchasers" shall mean Robert MacNeil and Susan Olivieri.

"Registration Expenses" shall mean the expenses so described in Section 6.

"Restricted Securities" shall mean the Warrants and the Restricted Stock, for so long as the instruments or certificates evidencing such securities shall be required to bear the legend set forth in Section 2 hereof.

"Restricted Stock" shall mean the Warrant Shares, the certificates for which are required to bear the legend set forth in Section 2 hereof.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Selling Expenses" shall mean the expenses so described in Section 6.

"Warrant Shares" shall mean the shares of Class A Common Stock issued or issuable upon exercise of the Warrants by the Purchasers.

2. Restrictive Legend. Each certificate representing Warrant Shares and, except as otherwise provided in Section 3 hereof, each certificate issued upon exchange or transfer of any such Warrant Shares shall be stamped or

otherwise imprinted with a legend substantially in the following form:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR UNDER APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS IT HAS BEEN REGISTERED UNDER SUCH LAWS OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE."

3. Notice of Proposed Transfer. Prior to any proposed transfer of any Restricted Securities (other than under the circumstances described in Section 4 hereof), the holder thereof shall give written notice to the Corporation of its intention to effect such transfer. Each such notice shall describe the manner of the proposed transfer and shall be accompanied by an opinion of counsel satisfactory to the Corporation to the effect that the proposed transfer may be effected without registration under the Securities Act, whereupon, subject to any other restrictions or transfer then applicable to the holder thereof, such holder shall be entitled to transfer such securities in accordance with the terms of its notice. All Restricted Securities transferred as above provided shall bear the legend set forth in Section 2, except that such securities shall not bear such legend if (a) such transfer is a public sale in

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accordance with the provisions of Rule 144 (or any other rule permitting public sale without registration under the Securities Act) or (b) the opinion of counsel referred to above is to the further effect that the transferee and any subsequent transferee (other than an affiliate of the Corporation) would be entitled to transfer such securities in a public sale without registration under the Securities Act.

4. Incidental Registration. If the corporation at any time proposes to register any of its securities for its own account under the Securities Act for sale to the public (except with respect to registration statements on Form S-4, S-8, S-14 or S-15 or another form for a similar limited purpose, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another corporation), each such time it will give written notice to Purchasers of its intention so to do. Upon the written request of any Purchaser given within ten (10) days after the date of any such notice, to register any of its Restricted Stock (which request shall state the intended method of disposition thereof), the Corporation will use its best efforts to cause the Restricted Stock as to which registration shall have been so requested to be included in the securities to be covered by the registration statement proposed to be filed by the Corporation, all to the extent requisite to permit the sale or other disposition by the holder (in accordance with its written request) of such Restricted Stock so registered. The Corporation may withdraw any such registration statement before it becomes effective or postpone the offering of securities contemplated by such registration fee without any obligation to any holder of any Restricted Stock. In the event that any registration pursuant to this Section 4 shall be, in whole or in part, an underwritten public offering of Common Stock, any request by a holder pursuant to this Section 4 to register Restricted Stock shall specify that either: (i) such Restricted Stock is to be included in the underwriting on the same terms and conditions as the shares of Common Stock otherwise being sold through underwriters under such registration; or (ii) such Restricted Stock is to be sold in the open market without any underwriting, on terms and conditions comparable to those normally applicable to offerings of common stock in reasonably similar circumstances. The number of shares of Restricted Stock to be included in such an underwriting may be reduced (pro rata among the requesting holders based on their total ownership of shares of common stock, giving effect to the conversion into Common Stock of all securities convertible therein to) if and to the extent that the managing underwriter shall be of the opinion that such inclusion would adversely affect the marketing of the securities to be sold by the Corporation therein. Notwithstanding anything to the contrary contained in this Section 4, in the event that there is an underwritten offering of securities of the Corporation pursuant to a registration covering Restricted Stock and a selling holder of Restricted Stock does not elect to sell his Restricted Stock to the underwriters of the Corporation's securities in connection with such offering, such holder shall refrain from selling such Restricted Stock so registered pursuant to this Section 4 during the period of distribution of the Corporation's securities by such underwriters and a period in which the underwriting syndicate participates in the aftermarket; provided, however,

that such holder shall, in any event, be entitled to sell its Restricted Stock in connection with such registration commencing on the 90th day after the effective date on such registration statement. The Corporation may withdraw any registration statement referred to in this Section 4 without thereby incurring any liability to the holders of Restricted Stock.

5. Registration Procedures. If and whenever the Corporation effects the registration of any shares of Restricted Stock under the Securities Act, the Corporation will:

- (a) prepare and file with the Commission a registration statement with respect to such securities and use its best efforts to cause such registration statement to become and remain effective for the period of the distribution contemplated thereby (determined as hereinafter provided);
- (b) as expeditiously as possible, prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective, in the case of a firm underwritten public offering, until each underwriter has completed the distribution of all securities purchased by it and, in the case of any other offering, until the earlier of the sale of all Restricted Stock covered thereby or 120 days after the effective date thereof;
- (c) as expeditiously as possible, furnish to each seller and to each underwriter such number of copies of the prospectus as such persons reasonably may request in order to facilitate the public sale or other disposition of the Restricted Stock covered by such registration statement;
- (d) as expeditiously as possible, use its best efforts to register or qualify the Restricted Stock covered by such registration statement under the securities or blue sky laws of such jurisdictions as the sellers of Restricted Stock or, in the case of an underwritten public offering, the managing underwriter reasonably shall request, provided, however, that the Corporation shall not be required in connection with this paragraph (d) to qualify as a foreign corporation or execute a general consent to service of process in any jurisdiction;
- (e) immediately notify each seller of Restricted Stock and each underwriter under such registration statement, at any time when

a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event of which the Corporation has knowledge as a result of which the prospectus contained in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

- (f) use its best efforts (if the offering is underwritten) to furnish, at the request of any seller of Restricted Stock, on the closing date of such offering: (i) an opinion, dated such date, of counsel representing the Corporation for the purposes of such registration, addressed to the underwriters and to such seller, covering substantially the same matters with respect to the registration statement and the prospectus as are customarily covered in opinions of issuer's counsel delivered to underwriters in underwritten public offerings of securities.

For purposes of paragraphs (a) and (b) above, the period of distribution of Restricted Stock in a firm commitment underwritten public offering shall be deemed to extend until each underwriter has completed the distribution of all securities purchased by it, and the period of distribution of Restricted Stock in any other registration shall be deemed to extend until the earlier of the sale of all Restricted Stock covered thereby or 120 days

after the effective date thereof.

In connection with each registration hereunder, the sellers of Restricted Stock will furnish to the Corporation in writing such information with respect to themselves and the proposed distribution by them as reasonably shall be necessary in order to assure compliance with federal and applicable state securities laws.

6. Expenses. All expenses incurred by the Corporation in complying with Section 4, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel and independent public accountants for the Corporation, fees of the National Association of Securities Dealers, Inc., transfer taxes, fees of transfer agents and registrars, costs of insurance and fees and expenses of one counsel for the sellers of Restricted Stock, but excluding any Selling Expenses, are herein called "Registration Expenses." All underwriting discounts and selling commissions applicable to the sale of Restricted Stock are called "Selling Expenses."

The Corporation will pay all Registration Expenses in connection with each registration statement under Section 4. All Selling Expenses in connection with each registration statement under Section 4 shall be borne by the participating

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Purchasers in proportion to the number of shares sold by each, or by such participating Purchasers other than the Corporation (except to the extent the Corporation shall be a seller) as they may agree.

7. Indemnification and Contribution. In the event of a registration of any of the Restricted Stock under the Securities Act pursuant to Section 4, the Corporation will indemnify and hold harmless each seller of such Restricted Stock thereunder and each underwriter of such Restricted Stock thereunder and each other person, if any, who controls such seller or underwriter within the meaning of the Securities Act, against any and all losses, claims, damages or liabilities, joint or several, to which such seller, underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such Restricted Stock was registered under the Securities Act pursuant to Section 4, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each such seller, each such underwriter and each such controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Corporation will not be liable in any such case if and to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by any such seller, any such underwriter or any such controlling person in writing specifically for use in such registration statement or prospectus.

In the event of a registration of any of the Restricted Stock under the Securities Act pursuant to Section 4, each seller of such Restricted Stock thereunder, severally and not jointly, will indemnify and hold harmless the Corporation and each person, if any, who controls the Corporation within the meaning of the Securities Act, each officer of the Corporation who signs the registration statement, each director of the Corporation, each underwriter and each person who controls any underwriter within the meaning of the Securities Act, against all losses, claims, damages or liabilities, joint or several, to which the Corporation or such officer, director, underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the registration statement under which such Restricted Stock was registered under the Securities Act pursuant to Section 4, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated

therein or necessary to make the statements therein

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not misleading, and will reimburse the Corporation and each such officer, director, underwriter and controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action, provided, however, that such seller will be liable hereunder in any such case if and only to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information pertaining to such seller, as such, furnished in writing to the Corporation by or on behalf of such seller specifically for use in such registration statement or prospectus, and provided, further, however, that the liability of each seller hereunder shall not in any event exceed the proceeds received by such seller from the sale of Restricted Stock covered by such registration statement.

Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing thereof, but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to such indemnified party other than under this Section 7. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel satisfactory to such indemnified party, and, after notice from the indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 7 for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof; provided, however, that, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be reasonable defenses available to it which are different from or additional to those available to the indemnifying party or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the indemnifying party or if the indemnifying party shall not in fact have employed counsel to assume the defense of such action, the indemnified party shall have the right to select a separate counsel and to assume such legal defenses and otherwise to participate in the defense of such action, with the expenses and fees of such separate counsel and other expenses related to such participation to be reimbursed by the indemnifying party as incurred.

Notwithstanding the foregoing, any indemnified party shall have the right to retain its own counsel in any such action, but the fees and disbursements of such counsel shall be at the expense of such indemnified party unless: (i) the indemnifying party shall have failed to retain counsel for the indemnified person as aforesaid; or (ii) the indemnifying party and such indemnified party shall have mutually agreed to the retention of such counsel. It is understood that the

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indemnifying party shall not, in connection with any action or related actions in the same jurisdiction, be liable for the fees and disbursements of more than one separate firm qualified in such jurisdiction to act as counsel for the indemnified party. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment.

If the indemnification provided for in the first two paragraphs of this Section 7 is unavailable to or insufficient to hold harmless as indemnified party under such paragraphs in respect of any losses, claims, damages or liabilities or actions in respect thereof referred to therein, then each

indemnifying party shall in lieu of indemnifying such indemnified party contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or actions in such proportion as appropriate to reflect the relative fault of the Corporation, on the one hand, and the sellers of such Restricted Stock, on the other, in connection with the statement or omissions which resulted in such losses, claims, damages, liabilities or actions, as well as any other relevant equitable considerations including the failure to give any notice under the third paragraph of this Section 7. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Corporation, on the one hand, or by the sellers of such Restricted Stock, on the other, and to the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Corporation and the sellers of Restricted Stock agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if all of the sellers of Restricted Stock were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or action in respect thereof, referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this and the immediately preceding paragraph, the sellers of such Restricted Stock shall not be required to contribute any amount in excess of the proceeds received by it. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation.

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The indemnification of underwriters provided for in this Section 7 shall be on such other terms and conditions as are at the time customary and reasonably required by such underwriters. In that event the indemnification of the sellers of Restricted Stock in such underwriting shall at the sellers' request be modified to conform to such terms and conditions.

8. Changes in Common Stock. If, and as often as, there is any change in the Common Stock by way of a stock split, stock dividend, combination or reclassification, or through a merger, consolidation, reorganization or recapitalization, or by any other means, appropriate adjustment shall be made in the provisions hereof so that the rights and privileges granted hereby shall continue with respect to the Common Stock as so changed.

9. "Stand-Off" Agreement. If requested by the corporation and the managing underwriter of an offering by the Corporation of Common Stock or other securities of the Corporation pursuant to a Registration Statement, you and any subsequent holders of Restricted Stock shall agree not to sell publicly or otherwise transfer or dispose of any Restricted Stock held by such holder for a period of time beginning 20 days prior to and ending 180 days (in the case of an initial public offering), or 120 days (in the case of a public offering following the initial public offering) after the effective date of the Registration Statement; provided, that (i) all stockholders of the Corporation holding not less than the number of shares of Common Stock held by such holder of convertible securities, or upon the exercise of options, warrants or rights) and all officers and directors of the Corporation enter into similar agreements; and (ii) all stockholders of the Corporation shall be released from such stand-off agreement, if any stockholders are released, on a pro rata basis, with no stockholder having any right to offer and sell Restricted Stock free from such stand-off provisions before any other stockholder.

10. Representations and Warranties of the Corporation. The Corporation represents and warrants to you as follows:

(a) The execution, delivery and performance of this Agreement by the

Corporation have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, the Charter or By-laws of the Corporation or any provision of any indenture, agreement or other instrument to which it or any or its properties or assets is bound, conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Corporation.

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- (b) This Agreement has been duly executed and delivered by the Corporation and constitutes the legal, valid and binding obligation of the Corporation, enforceable in accordance with its terms.

11. Rule 144 Reporting. The Corporation agrees with each of you as follows:

- (a) The Corporation shall make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times from and after 90 days following the effective date of the first registration of the Corporation under the Securities Act of an offering of its securities to the general public.
- (b) The Corporation shall file with the Commission in a timely manner all reports and other documents as the Commission may prescribe under Section 13(a) or 15(d) of the Exchange Act at any time after the Corporation has become subject to such reporting requirements of the Exchange Act.
- (c) The Corporation shall furnish to each holder of Restricted Stock forthwith upon request: (i) a written statement by the Corporation as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the first registration statement of the Corporation for an offering of its securities to the general public), and of the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements); (ii) a copy of the most recent annual or quarterly report of the Corporation; and (iii) such other reports and documents so filed as a holder may reasonably request to avail itself of any rule or regulation of the Commission allowing a holder of Restricted Stock to sell any such securities without registration.

12. Miscellaneous.

- (a) All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not. Without limiting the generality of the foregoing, the registration rights conferred herein on the holders of Restricted Stock shall only inure to the benefit of holders of at least 25,000 shares of Restricted Stock, and

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shall only inure to any such holders for so long as the certificates representing the Restricted Stock shall be required to bear the legend specified in Section 2 hereof.

- (b) All notices, requests, consents and other communications hereunder shall be in writing and shall be mailed by first class mail, postage prepaid, addressed as follows:

If to the Corporation:

Casella Waste Management, Inc.

25 Greens Hill Lane  
Rutland, VT 05701

If to the Purchasers:

Susan Olivieri  
79 East Wilder Road  
West Lebanon, NH 03784

Robert MacNeil  
79 East Wilder Road  
West Lebanon, NH 03784

- (c) This Agreement shall be governed by and construed in accordance with the laws of the State of Vermont.
- (d) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be modified or amended except by the written agreement of all of the parties.
- (e) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- (f) The parties hereto acknowledge that the Corporation is party to a Registration Rights Agreement dated as of December 22, 1995 with the purchasers of its Series D Preferred Stock and others (the "1995 Registration Rights Agreement"), and that the 1995 Registration Rights Agreement prohibits the Corporation from entering into an agreement with any other person unless, under the terms of any such agreement, such person may include securities in a registration only on terms substantially similar to

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the terms on which parties to the 1995 Registration Rights Agreement may include shares in such registration. Accordingly, the parties hereto agree that, at the written request or the Corporation, this Agreement will be deemed amended to comply with the requirement set forth in the preceding sentence upon determination by the Board of Directors of the Corporation that such an amendment is necessary to avoid a violation of the 1995 Registration Rights Agreement.

Please indicate your acceptance of the foregoing by signing and returning the enclosed counterpart of this letter, whereupon this Agreement shall be a binding agreement between the Corporation and you.

Very truly yours,

CASELLA WASTE SYSTEMS, INC.

AGREED TO AND ACCEPTED as of the date first above written.

-----  
Susan Olivieri

-----  
Robert MacNeil

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THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE  
SECURITIES ACT OF 1933 NOR UNDER APPLICABLE STATE  
SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR  
OTHERWISE DISPOSED OF UNLESS IT HAS BEEN REGISTERED UNDER  
SUCH LAWS OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE

THE SALE, TRANSFER AND ENCUMBRANCE OF THE SECURITIES  
REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND  
CONDITIONS OF A STOCKHOLDERS' AGREEMENT, DATED AS OF  
MAY 25, 1994, AMONG CASELLA WASTE SYSTEMS, INC. AND  
CERTAIN HOLDERS OF ITS OUTSTANDING CAPITAL STOCK AND RIGHTS  
TO ACQUIRE CAPITAL STOCK. COPIES OF SUCH AGREEMENT MAY BE  
OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF  
RECORD OF THIS CERTIFICATE TO THE SECRETARY  
OF CASELLA WASTE SYSTEMS, INC.

May 25, 1994

STOCK PURCHASE WARRANT

To Subscribe for and Purchase Class A Common Stock of  
CASELLA WASTE SYSTEMS, INC.

VOID AFTER OCTOBER 31, 2003

R1994-7

THIS CERTIFIES that, for value received, JOHN W. CASELLA, or  
registered assigns, is entitled, subject to the terms of Section 1 hereof, to  
subscribe for and purchase from Casella Waste Systems, Inc., a Delaware  
corporation (hereinafter called the "Company"), at the price of \$0.01 per share  
(such price, as from time to time to be adjusted as hereinafter provided, being  
hereinafter called the "Warrant Price"), at any time on or prior to October 31,  
2003 up to 13,500 fully paid, nonassessable shares of Class A Common Stock, \$.01  
par value, of the Company ("Class A Common Stock"), subject, however, to the  
provisions and upon the terms and conditions hereinafter set forth.

Section 1. Exercise of Warrant. This Warrant may be exercised by the  
holder hereof, in whole or in part (but not as to a fractional share of Class A  
Common Stock), by the completion of the subscription form attached hereto and by  
the surrender of this Warrant (properly endorsed) at the office of the Company  
in Rutland, Vermont (or at such other agency or office of the Company in the  
United

States as it may designate by notice in writing to the holder hereof at the  
address of the holder hereof appearing on the books of the Company), and by  
payment to the Company of the Warrant Price, in cash or by certified or official  
bank check, for each share being purchased. In the event of any exercise of the  
rights represented by this Warrant, a certificate or certificates for the shares  
of Class A Common Stock so purchased, registered in the name of the holder  
hereof, shall be delivered to the holder hereof within a reasonable time, not  
exceeding five business days, after the rights represented by this Warrant shall  
have been so exercised; and, unless this Warrant has expired or been exercised  
in full, a new Warrant representing the number of shares (except a remaining  
fractional share), if any, with respect to which this Warrant shall not then  
have been exercised shall also be issued to the holder hereof within such time.  
With respect to any such exercise, the holder hereof shall for all purposes be  
deemed to have become the holder of record of the number of shares of Class A  
Common Stock evidenced by such certificate or certificates from the date on  
which this Warrant was surrendered and payment of the Warrant Price was made  
irrespective of the date of delivery of such certificate, except that, if the  
date of such surrender and payment is a date on which the stock transfer books  
of the Company are closed, such person shall be deemed to have become the holder  
of such shares at the close of business on the next succeeding date on which the  
stock transfer books are open. No fractional shares shall be issued upon  
exercise of this Warrant. If any fractional interest in a share of Class A  
Common Stock would, except for the provisions of this Section 1, be delivered  
upon any such exercise, the Company, in lieu of delivering the fractional share  
thereof, shall pay to the holder hereof an amount in cash equal to the current  
market price of such fractional interest as determined in good faith by the  
Board of Directors of the Company.

Section 2. Adjustment of Number of Shares. Upon each adjustment of the Warrant Price as provided herein, the holder of this Warrant shall thereafter be entitled to purchase, at the Warrant Price resulting from such adjustment, the number of shares (calculated to the nearest tenth of a share) obtained by multiplying the Warrant Price in effect immediately prior to such adjustment by the number of shares purchasable pursuant hereto immediately prior to such adjustment and dividing the product thereof by the Warrant Price resulting from such adjustment.

Section 3. Adjustment of Price Upon Issuance of Common Stock. Except with respect to the issuance of shares of Class A Common Stock that constitute a Permitted Stock Transaction under Subsection 5.7 of the 1994 Purchase Agreement, if and whenever the Company shall issue or sell any shares of its Common Stock (as defined in paragraph (n) of this Section 3) for a consideration per share less than the Warrant Price in effect immediately prior to the time of such issue or sale, then, forthwith upon such issue or sale, the Warrant Price shall be reduced to the price (calculated to the nearest \$.001) determined by dividing (a) an amount equal to the sum of: (x) the number of shares of Common Stock outstanding immediately prior to such issue or sale (including as outstanding all shares of Class A Common Stock

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issuable upon exercise of this Warrant immediately prior to such issue or sale) multiplied by the then existing Warrant Price; and (y) the consideration, if any, received by the Company upon such issue or sale, by (b) the total number of shares of Common Stock outstanding immediately after such issue or sale (including as outstanding all shares of Class A Common Stock issuable upon exercise of this Warrant immediately prior to such issue or sale). No adjustments of the Warrant Price, however, shall be made in an amount less than \$.001 per share, but any such lesser adjustment shall be carried forward and shall be made at the time and together with the next subsequent adjustment which together with any adjustments so carried forward shall amount to \$.001 per share or more.

For purposes of this Section 3, the following paragraphs (a) to (n), inclusive, shall also be applicable.

(a) Issuance of Rights of Options. In case at any time the Company shall in any manner grant (whether directly or by assumption in a merger or otherwise) any rights to subscribe for or to purchase, or any options for the purchase of, Common Stock or any stock or securities convertible into or exchangeable for Common Stock (such rights or options being herein called "Options" and such convertible or exchangeable stock or securities being herein called "Convertible Securities"), whether or not such Options or the right to convert or exchange any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon the exercise of such Options or upon conversion or exchange or such Convertible Securities (determined by dividing: (i) the total amount, if any, received or receivable by the Company as consideration for the granting of such Options, plus the minimum aggregate amount of additional consideration payable to the Company upon the exercise of all such Options, plus, in the case of such Options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable upon the issue or sale of such Convertible Securities and upon the conversion or exchange thereof; by (ii) the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such Options) shall be less than the Warrant Price in effect immediately prior to the time of the granting of such Options, then the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon conversion or exchange or the total maximum amount of such Convertible Securities issuable upon the exercise of such Options shall be deemed to have been issued for such price per share as of the date of granting of such Options and thereafter shall be deemed to be outstanding. Except as otherwise provided in paragraph (c), no adjustment of the Warrant Price shall be made upon

the actual issue of such Common Stock or of such Convertible Securities upon exercise of such Options or upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities.

(b) Issuance of Convertible Securities. In case the Company shall in any manner issue (whether directly or by assumption in a merger or otherwise) or sell any Convertible Securities, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange (determined by dividing: (i) the total amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange of all such Convertible Securities; by (ii) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Warrant Price in effect immediately prior to the time of such issue or sale, then the total maximum number of shares of Common Stock issuable upon conversion or exchange of all such Convertible Securities shall be deemed to have been issued for such price per share as of the date of the issue or sale of such Convertible Securities and thereafter shall be deemed to be outstanding, provided that: (i) except as otherwise provided in paragraph (c) below, no adjustment of the Warrant Price shall be made upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities; and (ii) if any such issue or sale of such Convertible Securities is made upon exercise of any Option to purchase any such Convertible Securities for which adjustments of the Warrant Price have been or are to be made pursuant to other provisions of this Section 3, no further adjustment of the Warrant Price shall be made by reason of such issue or sale.

(c) Change in Option Price or Conversion Rate. Upon the happening of any of the following events, namely, if the purchase price provided for in any Option referred to in paragraph (a), the additional consideration if any, payable upon the conversion or exchange of any Convertible Securities referred to in paragraph (a) or (b), or the rate at which any Convertible Securities referred to in paragraph (a) or (b) are convertible into or exchangeable for Common Stock shall change at any time (other than under or by reason of provisions designed to protect against dilution), the Warrant Price in effect at the time of such event shall forthwith be readjusted to the Warrant Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially

granted, issued or sold; and on the expiration of any such Option or the termination of any such right to convert or exchange such Convertible Securities, the Warrant Price then in effect hereunder shall forthwith be increased to the Warrant Price which would have been in effect at the time of such expiration or termination had such Option or Convertible Securities, to the extent outstanding immediately prior to such expiration or termination, never been issued, and the Common Stock issuable thereunder shall no longer be deemed to be outstanding.

(d) Stock Dividends. In case the Company shall declare a dividend or make any other distribution upon any stock of the Company payable in Common Stock, Options or Convertible Securities, any Common Stock, Options or Convertible Securities, as the case may be, issuable in payment of such dividend or distribution shall be deemed to have been issued in a subdivision of outstanding shares

as provided in paragraph (h) below.

(e) Consideration for Stock. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Company therefor, without reduction therefrom of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company shall be deemed to be the fair value of such consideration as determined in good faith by the Board of Directors of the Company, without deduction of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. The amount of consideration deemed to be received by the Company pursuant to the foregoing provisions of this paragraph (e) upon any issue or sale, pursuant to any established compensation plan of the Company to directors, officers or employees of the Company in connection with their employment, of shares of Common Stock, Options or Convertible Securities shall be increased by the amount of any tax benefit realized by the Company as a result of such issue or sale, the amount of such tax benefit being the amount by which the Federal and/or State income or other tax liability of the Company shall be reduced by reason of any deduction or credit in respect of such issue or sale. In case any Options shall be issued in connection with the issue and sale or other securities of the Company, together comprising one integral transaction in which no specific consideration is allocated to such Options by the parties thereto, such Options shall be deemed to have been issued without consideration. In

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case any shares of Common Stock, Options or Convertible Securities shall be issued in connection with any merger or consolidation in which the Company is the surviving corporation, the amount of consideration therefore shall be deemed to be the fair value as determined in good faith by the Board of Directors of the Company of such portion of the assets and business of the non-surviving corporation as such Board shall determine to be attributable to such Common Stock, Options or Convertible Securities, as the case may be. In the event of any consolidation or merger of the Company in which the Company is not the surviving corporation or in the event of any sale of all or substantially all the assets of the Company for stock or other securities of any corporation, the Company shall be deemed to have issued a number of shares of its Common Stock for stock or securities of the other corporation computed on the basis of the actual exchange ratio on which the transaction was predicated and for a consideration equal to the fair market value on the date of such transaction of such stock or securities of the other corporation, and, if any such calculation results in adjustment of the Warrant Price, the determination of the number of shares of Common Stock receivable under this Warrant immediately prior to such merger, consolidation or sale, for purposes of paragraph (j), shall be made after giving effect to such adjustment of the Warrant Price.

(f) Record Date. In case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them: (i) to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities; or (ii) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(g) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of

any such shares shall be considered an issue or sale of Common Stock for the purposes of this Section 3.

(h) Subdivision or Combination of Stock. In case the Company shall at any time subdivide its outstanding shares of Common Stock into a greater number of shares, the Warrant Price in effect immediately prior to such subdivision shall be proportionately reduced, i.e., the holder shall be entitled to purchase after such subdivision, for the same

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consideration as applicable prior to such subdivision, the same percentage of outstanding Common Stock that such holder was entitled to purchase prior to such subdivision, and conversely, in case the outstanding shares of Common Stock of the Company shall be combined into a smaller number of shares, the Warrant Price in effect immediately prior to such combination shall be proportionately increased.

i) Reorganization, Reclassification, Consolidation, Merger or Sale. If any capital reorganization or reclassification of the capital stock of the Company or any consolidation or merger of the Company with another corporation, or the sale of all or substantially all its assets to another corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then, as a condition of such reorganization, reclassification, consolidation, merger or sale, lawful and adequate provisions shall be made whereby each holder of the Warrants shall thereafter have the right to receive upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock of the Company immediately theretofore receivable upon the exercise of such Warrant or Warrants, such shares of stock, securities or assets (including cash) as may be issued or payable with respect to or in exchange for a number of outstanding shares of Common Stock equal to the number of shares of such stock immediately theretofore so receivable had such reorganization, reclassification, consolidation, merger or sale not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of such holder to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Warrant Price) shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise of such Warrants (including an immediate adjustment, by reason or such consolidation or merger, of the Warrant Price to the value for the Common Stock reflected by the terms of such consolidation or merger if the value so reflected is less than the Warrant Price in effect immediately prior to such consolidation or merger). In the event of a merger or consolidation of the Company as a result of which a greater or lesser number of shares of common stock of the surviving corporation are issuable to holders of Common Stock of the Company outstanding immediately prior to such merger or consolidation, the Warrant Price in effect immediately prior to such merger or consolidation shall be adjusted in the same manner as though there were a subdivision or combination of the outstanding shares of Common Stock of the Company. The Company will not effect any such

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consolidation, merger or sale, unless prior to the consummation thereof the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall assume, by written instrument executed and mailed or delivered to each Warrantholder at the last address of such holder appearing on the books of the Company, the obligation to deliver to such holder such shares of stock, securities or assets as, in accordance with the foregoing

provisions, such holder may be entitled to receive upon exercise of such Warrants.

(j) Notice of Adjustment. Upon any adjustment of the Warrant Price, then and in each such case the Company shall give written notice thereof, by first class mail, postage prepaid, addressed to each Warrantholder at the address of such holder as shown on the books of the Company, which notice shall state the Warrant Price resulting from such adjustment, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

(k) Stock to Be Reserved. The Company will at all times reserve and keep available out of its authorized Common Stock or its treasury shares, solely for the purpose of issuance upon the exercise of this Warrant as herein provided, such number of shares of Common Stock as shall then be issuable upon the exercise of this Warrant. The Company covenants that all shares of Common Stock which shall be so issued shall be duly and validly issued and fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof, and, without limiting the generality of the foregoing, the Company covenants that it will from time to time take all such action as may be requisite to assure that the par value per share of the Common Stock is at all times equal to or less than the effective Warrant Price. The Company will take all such action as may be necessary to assure that all such shares of Common Stock may be so issued without violation of any applicable law or regulation, or of any requirements of any national securities exchange upon which the Common Stock of the Company may be listed. The Company will not take any action which results in any adjustment of the Warrant Price if the total number of shares of Common Stock issued and issuable after such action upon exercise of this Warrant would exceed the total number of shares of Common Stock then authorized by the Company's Certificate of Incorporation. The Company has not granted and will not grant any right of first refusal with respect to shares issuable upon exercise of this Warrant, and there are no preemptive rights associated with such shares.

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(l) Issue Tax. The issuance of certificates for shares of Common Stock upon exercise of this Warrant shall be made without charge to the holder hereof for any issuance tax in respect thereof, provided that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the Warrant holder.

(m) Closing of Books. The Company will at no time close its transfer books against the transfer of the shares of Common Stock issued or issuable upon the exercise of this Warrant in any manner which interferes with the timely exercise of this Warrant.

(n) Definition of Common Stock. As used herein the term "Common Stock" shall mean and include the Class A Common Stock, \$.01 par value, of the Company and the Class B Common Stock, \$.01 par value, of the Company, as authorized on May 25, 1994 and also any capital stock of any class of the Company hereinafter authorized which shall not be limited to a fixed sum or percentage in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company; provided, however, that the shares purchasable pursuant to this Warrant shall include only shares designated as Class A Common Stock, \$.01 par value, of the Company on May 25, 1994, or shares of any class or classes resulting from any reclassification or reclassifications thereof and in case at any time there shall be more than one such resulting class, the shares of each class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

Section 4. Notices of Record Dates. In the event of:

(a) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution (other than cash dividends out of earned surplus), or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any right to sell shares of stock of any class or any other right; or

(b) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any transfer of all

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or substantially all the assets of the Company to or consolidation or merger of the Company with or into any other corporation or entity; or

(c) any voluntary or involuntary dissolution, liquidation or winding-up of the Company, then and in each such event the Company will give notice to the holder of this Warrant specifying: (i) the date on which any such record is to be taken for the purpose of such dividend, distribution or right and stating the amount and character of such dividend, distribution or right; and (ii) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock will be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding-up. Such notice shall be given at least 20 days and not more than 90 days prior to the date therein specified, and such notice shall state that the action in question or the record date is subject to (x) the effectiveness of a registration statement under the Securities Act of 1933 and applicable state securities laws, or (y) a favorable vote of stockholders, if either is required.

Section 5. No Stockholder Rights or Liabilities.

(a) Except as set forth in paragraph (b) of this Section 5 and in the Stockholders Agreement, this Warrant shall not entitle the holder hereof to any voting rights or other rights as a stockholder of the Company. No provision hereof, in the absence of affirmative action by the holder hereof to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the holder hereof shall give rise to any liability of such holder for the Warrant Price or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

(b) At any time while this Warrant is outstanding, the Company shall, prior to making any distribution of its property or assets to the holders of its Common Stock as a dividend in liquidation or partial liquidation or by way of return of capital or any dividend payable out of funds legally available for dividends under the laws of the State of Delaware, give to the holder of this Warrant, not less than 20 days' prior written notice of any such distribution. If such holder shall exercise this Warrant on or prior to the date of such distribution set forth in such notice, such holder shall be entitled to receive, upon such exercise: (i) the number of shares of Common Stock receivable pursuant to such exercise; and (ii)

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without payment of any additional consideration, a sum equal to

the amount of such property or assets as would have been payable to the holder hereof as an owner of the shares described in clause (i) of this paragraph (b) had the holder hereof been the holder of record of such shares on the record date for such distribution; and an appropriate provision with respect to such payment to such holder as described in this paragraph (b) shall be made a part of any such distribution.

Section 6. Lost, Stolen, Mutilated or Destroyed Warrant. If this Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may in its discretion reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as the Warrant so lost, stolen, mutilated or destroyed. Any such new Warrant shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated or destroyed Warrant shall be at any time enforceable by anyone.

Section 7. Notices. All notices, requests and other communications required or permitted to be given or delivered hereunder shall be in writing, and shall be delivered, or shall be sent by certified or registered mail, postage prepaid and addressed, if to the holder to such holder at the address shown on the records of the Company or at such other address as shall have been furnished to the Company by notice from such holder. All notices, requests and other communications required or permitted to be given or delivered hereunder shall be in writing, and shall be delivered, or shall be sent by certified or registered mail, postage prepaid and addressed to the Company, at P.O. Box 866, Rutland, Vermont 05701; Attention: President, or at such other address as shall have been furnished to the holder by notice from the Company.

Section 8. Law Governing. This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, CASELLA WASTE SYSTEMS, INC., has executed this Warrant on and as of the 25th day of May, 1994.

CASELLA WASTE SYSTEMS, INC.

By: \_\_\_\_\_  
President

[Corporate Seal]

Attest:

-----  
Secretary

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SUBSCRIPTION FORM TO BE EXECUTED  
UPON EXERCISE OF THE WARRANT

[Date]

To Casella Waste Systems, Inc.:

The undersigned, pursuant to the provisions set forth in the within Warrant, hereby agrees to subscribe for and purchase [specify] shares of Class A Common Stock covered by such Warrant, and herewith tenders \$[specify] in full payment of the purchase price for such shares.

Name of Holder:

By: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE  
SECURITIES ACT OF 1933 NOR UNDER APPLICABLE STATE  
SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR  
OTHERWISE DISPOSED OF UNLESS IT HAS BEEN REGISTERED UNDER  
SUCH LAWS OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE

THE SALE, TRANSFER AND ENCUMBRANCE OF THE SECURITIES  
REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND  
CONDITIONS OF A STOCKHOLDERS' AGREEMENT, DATED AS OF  
MAY 25, 1994, AMONG CASELLA WASTE SYSTEMS, INC. AND  
CERTAIN HOLDERS OF ITS OUTSTANDING CAPITAL STOCK AND RIGHTS  
TO ACQUIRE CAPITAL STOCK. COPIES OF SUCH AGREEMENT MAY BE  
OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF  
RECORD OF THIS CERTIFICATE TO THE SECRETARY  
OF CASELLA WASTE SYSTEMS, INC.

May 25, 1994

STOCK PURCHASE WARRANT

To Subscribe for and Purchase Class A Common Stock of  
CASELLA WASTE SYSTEMS, INC.

VOID AFTER OCTOBER 31, 2003

R1994-8

THIS CERTIFIES that, for value received, DOUGLAS R. CASELLA, or registered assigns, is entitled, subject to the terms of Section 1 hereof, to subscribe for and purchase from Casella Waste Systems, Inc., a Delaware corporation (hereinafter called the "Company"), at the price of \$0.01 per share (such price, as from time to time to be adjusted as hereinafter provided, being hereinafter called the "Warrant Price"), at any time on or prior to October 31, 2003 up to 13,500 fully paid, nonassessable shares of Class A Common Stock, \$.01 par value, of the Company ("Class A Common Stock"), subject, however, to the provisions and upon the terms and conditions hereinafter set forth.

Section 1. Exercise of Warrant. This Warrant may be exercised by the holder hereof, in whole or in part (but not as to a fractional share of Class A Common Stock), by the completion of the subscription form attached hereto and by the surrender of this Warrant (properly endorsed) at the office of the Company in Rutland, Vermont (or at such other agency or office of the Company in the United States as it may designate by notice in writing to the holder hereof at the address of the holder hereof appearing on the books of the Company), and by payment to the

Company of the Warrant Price, in cash or by certified or official bank check, for each share being purchased. In the event of any exercise of the rights represented by this Warrant, a certificate or certificates for the shares of Class A Common Stock so purchased, registered in the name of the holder hereof, shall be delivered to the holder hereof within a reasonable time, not exceeding five business days, after the rights represented by this Warrant shall have been so exercised; and, unless this Warrant has expired or been exercised in full, a new Warrant representing the number of shares (except a remaining fractional share), if any, with respect to which this Warrant shall not then have been exercised shall also be issued to the holder hereof within such time. With respect to any such exercise, the holder hereof shall for all purposes be deemed to have become the holder of record of the number of shares of Class A Common Stock evidenced by such certificate or certificates from the date on which this Warrant was surrendered and payment of the Warrant Price was made irrespective of the date of delivery of such certificate, except that, if the date of such surrender and payment is a date on which the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open. No fractional shares shall be issued upon exercise of this Warrant. If any fractional interest in a share of Class A Common Stock would, except for the provisions of this Section 1, be delivered upon any such exercise, the Company, in lieu of delivering the fractional share thereof, shall pay to the holder hereof an amount in cash equal to the current market price of

such fractional interest as determined in good faith by the Board of Directors of the Company.

Section 2. Adjustment of Number of Shares. Upon each adjustment of the Warrant Price as provided herein, the holder of this Warrant shall thereafter be entitled to purchase, at the Warrant Price resulting from such adjustment, the number of shares (calculated to the nearest tenth of a share) obtained by multiplying the Warrant Price in effect immediately prior to such adjustment by the number of shares purchasable pursuant hereto immediately prior to such adjustment and dividing the product thereof by the Warrant Price resulting from such adjustment.

Section 3. Adjustment of Price Upon Issuance of Common Stock. Except with respect to the issuance of shares of Class A Common Stock that constitute a Permitted Stock Transaction under Subsection 5.7 of the 1994 Purchase Agreement, if and whenever the Company shall issue or sell any shares of its Common Stock (as defined in paragraph (n) of this Section 3) for a consideration per share less than the Warrant Price in effect immediately prior to the time of such issue or sale, then, forthwith upon such issue or sale, the Warrant Price shall be reduced to the price (calculated to the nearest \$.001) determined by dividing (a) an amount equal to the sum of: (x) the number of shares of Common Stock outstanding immediately prior to such issue or sale (including as outstanding all shares of Class A Common Stock issuable upon exercise of this Warrant immediately prior to such issue or sale) multiplied by the then existing Warrant Price; and (y) the consideration, if any,

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received by the Company upon such issue or sale, by (b) the total number of shares of Common Stock outstanding immediately after such issue or sale (including as outstanding all shares of Class A Common Stock issuable upon exercise of this Warrant immediately prior to such issue or sale). No adjustments of the Warrant Price, however, shall be made in an amount less than \$.001 per share, but any such lesser adjustment shall be carried forward and shall be made at the time and together with the next subsequent adjustment which together with any adjustments so carried forward shall amount to \$.001 per share or more.

For purposes of this Section 3, the following paragraphs (a) to (n), inclusive, shall also be applicable:

(a) Issuance of Rights or Options. In case at any time the Company shall in any manner grant (whether directly or by assumption in a merger or otherwise) any rights to subscribe for or to purchase, or any options for the purchase of, Common Stock or any stock or securities convertible into or exchangeable for Common Stock (such rights or options being herein called "Options" and such convertible or exchangeable stock or securities being herein called "Convertible Securities"), whether or not such Options or the right to convert or exchange any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon the exercise of such Options or upon conversion or exchange of such Convertible Securities (determined by dividing: (i) the total amount, if any, received or receivable by the Company as consideration for the granting of such Options, plus the minimum aggregate amount of additional consideration payable to the Company upon the exercise of all such Options, plus, in the case of such Options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable upon the issue or sale of such Convertible Securities and upon the conversion or exchange thereof; by (ii) the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such Options) shall be less than the Warrant Price in effect immediately prior to the time of the granting of such Options, then the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon conversion or exchange or the total maximum amount of such Convertible Securities issuable upon the exercise of such options shall be deemed to have been issued for such price per share as of the date of granting of such Options and thereafter shall be deemed to be outstanding. Except as otherwise provided in

paragraph (c), no adjustment of the Warrant Price shall be made upon the actual issue of such Common Stock or of such Convertible Securities

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upon exercise of such Options or upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities.

(b) Issuance of Convertible Securities. In case the Company shall in any manner issue (whether directly or by assumption in a merger or otherwise) or sell any Convertible Securities, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange (determined by dividing: (i) the total amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange of all such Convertible Securities; by (ii) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Warrant Price in effect immediately prior to the time of such issue or sale, then the total maximum number of shares of Common Stock issuable upon conversion or exchange of all such Convertible Securities shall be deemed to have been issued for such price per share as of the date of the issue or sale of such Convertible Securities and thereafter shall be deemed to be outstanding, provided that: (i) except as otherwise provided in paragraph (c) below, no adjustment of the Warrant Price shall be made upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities; and (ii) if any such issue or sale of such Convertible Securities is made upon exercise of any Option to purchase any such Convertible Securities for which adjustments of the Warrant Price have been or are to be made pursuant to other provisions of this Section 3, no further adjustment of the Warrant Price shall be made by reason of such issue or sale.

(c) Change in Option Price or Conversion Rate. Upon the happening of any of the following events, namely, if the purchase price provided for in any Option referred to in paragraph (a), the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities referred to in paragraph (a) or (b), or the rate at which any Convertible Securities referred to in paragraph (a) or (b) are convertible into or exchangeable for Common Stock shall change at any time (other than under or by reason of provisions designed to protect against dilution), the Warrant Price in effect at the time of such event shall forthwith be readjusted to the Warrant Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold; and on the expiration of any such Option or the

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termination of any such right to convert or exchange such Convertible securities, the Warrant Price then in effect hereunder shall forthwith be increased to the Warrant Price which would have been in effect at the time of such expiration or termination had such Option or Convertible Securities, to the extent outstanding immediately prior to such expiration or termination, never been issued, and the Common Stock issuable thereunder shall no longer be deemed to be outstanding.

(d) Stock Dividends. In case the Company shall declare a dividend or make any other distribution upon any stock of the Company payable in Common Stock, Options or Convertible Securities, any

Common Stock, Options or Convertible Securities, as the case may be, issuable in payment of such dividend or distribution shall be deemed to have been issued in a subdivision of outstanding shares as provided in paragraph (h) below.

(e) Consideration for Stock. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Company therefor, without reduction therefrom of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company shall be deemed to be the fair value of such consideration as determined in good faith by the Board of Directors of the Company, without deduction of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. The amount of consideration deemed to be received by the Company pursuant to the foregoing provisions of this paragraph (e) upon any issue or sale, pursuant to an established compensation plan of the Company to directors, officers or employees of the Company in connection with their employment, of shares of Common Stock, Options or Convertible Securities shall be increased by the amount of any tax benefit realized by the Company as a result of such issue or sale, the amount of such tax benefit being the amount by which the Federal and/or State income or other tax liability of the Company shall be reduced by reason of any deduction or credit in respect of such issue or sale. In case any Options

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shall be issued in connection with the issue and sale of other securities of the Company, together comprising one integral transaction in which no specific consideration is allocated to such Options by the parties thereto, such options shall be deemed to have been issued without consideration. In case any shares of Common Stock, Options or Convertible Securities shall be issued in connection with any merger or consolidation in which the Company is the surviving corporation, the amount of consideration therefor shall be deemed to be the fair value as determined in good faith by the Board of Directors of the Company of such portion of the assets and business of the non-surviving corporation as such Board shall determine to be attributable to such Common Stock, Options or Convertible Securities, as the case may be. In the event of any consolidation or merger of the Company in which the Company is not the surviving corporation or in the event of any sale of all or substantially all the assets of the Company for stock or other securities of any corporation, the Company shall be deemed to have issued a number of shares of its Common Stock for stock or securities of the other corporation computed on the basis of the actual exchange ratio on which the transaction was predicated and for a consideration equal to the fair market value on the date of such transaction of such stock or securities of the other corporation, and, if any such calculation results in adjustment of the Warrant Price, the determination of the number of shares of Common Stock receivable under this Warrant immediately prior to such merger, consolidation or sale, for purposes of paragraph (j), shall be made after giving effect to such adjustment of the Warrant Price.

(f) Record Date. In case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them: (i) to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities; or (ii) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(g) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock for the purposes of this Section 3.

(h) Subdivision or Combination of Stock. In case the Company shall at any time subdivide its outstanding shares of Common Stock into a greater number of shares, the Warrant Price in effect immediately prior to such subdivision shall be proportionately reduced, i.e., the holder shall be entitled to purchase after such subdivision, for the same consideration as applicable prior to such subdivision, the same

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percentage of outstanding Common Stock that such holder was entitled to purchase prior to such subdivision, and conversely, in case the outstanding shares of Common Stock of the Company shall be combined into a smaller number of shares, the Warrant Price in effect immediately prior to such combination shall be proportionately increased.

(i) Reorganization, Reclassification, Consolidation, Merger or Sale. If any capital reorganization or reclassification of the capital stock of the Company or any consolidation or merger of the Company with another corporation, or the sale of all or substantially all its assets to another corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then, as a condition of such reorganization, reclassification, consolidation, merger or sale, lawful and adequate provisions shall be made whereby each holder of the Warrants shall thereafter have the right to receive upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock of the Company immediately theretofore receivable upon the exercise of such Warrant or Warrants, such shares of stock, securities or assets (including cash) as may be issued or payable with respect to or in exchange for a number of outstanding shares of Common Stock equal to the number of shares of such stock immediately theretofore so receivable had such reorganization, reclassification, consolidation, merger or sale not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of such holder to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Warrant Price) shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise of such Warrants (including an immediate adjustment, by reason of such consolidation or merger, of the Warrant Price to the value for the Common Stock reflected by the terms of such consolidation or merger if the value so reflected is less than the Warrant Price in effect immediately prior to such consolidation or merger). In the event of a merger or consolidation of the Company as a result of which a greater or lesser number of shares of Common Stock of the surviving corporation are issuable to holders of Common Stock of the Company outstanding immediately prior to such merger or consolidation, the Warrant Price in effect immediately prior to such merger or consolidation shall be adjusted in the same manner as though there were a subdivision or combination of the outstanding shares of Common Stock of the Company. The Company will not effect any such consolidation, merger or sale, unless prior to the consummation thereof

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the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall assume, by written instrument executed and mailed or delivered to each Warrantholder at the last address of

such holder appearing on the books of the Company, the obligation to deliver to such holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holder may be entitled to receive upon exercise of such Warrants.

(j) Notice of Adjustment. Upon any adjustment of the Warrant Price, then and in each such case the Company shall give written notice thereof, by first class mail, postage prepaid, addressed to each Warrantholder at the address of such holder as shown on the books of the Company, which notice shall state the Warrant Price resulting from such adjustment, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

(k) Stock to Be Reserved. The Company will at all times reserve and keep available out of its authorized Common Stock or its treasury shares, solely for the purpose of issuance upon the exercise of this Warrant as herein provided, such number of shares of Common Stock as shall then be issuable upon the exercise of this Warrant. The Company covenants that all shares of Common Stock which shall be so issued shall be duly and validly issued and fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof, and, without limiting the generality of the foregoing, the Company covenants that it will from time to time take all such action as may be requisite to assure that the par value per share of the Common Stock is at all times equal to or less than the effective Warrant Price. The Company will take all such action as may be necessary to assure that all such shares of Common Stock may be so issued without violation of any applicable law or regulation, or of any requirements of any national securities exchange upon which the Common Stock of the company may be listed. The Company will not take any action which results in any adjustment of the Warrant Price if the total number of shares of Common Stock issued and issuable after such action upon exercise of this Warrant would exceed the total number of shares of Common Stock then authorized by the Company's Certificate of Incorporation. The Company has not granted and will not grant any right of first refusal with respect to shares issuable upon exercise of this Warrant, and there are no preemptive rights associated with such shares.

(l) Issue Tax. The issuance of certificates for shares of Common Stock upon exercise of this Warrant shall be made without charge to the

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holder hereof for any issuance tax in respect thereof, provided that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the Warrantholder.

(m) Closing of Books. The Company will at no time close its transfer books against the transfer of the shares of Common Stock issued or issuable upon the exercise of this Warrant in any manner which interferes with the timely exercise of this Warrant.

(n) Definition of Common Stock. As used herein the term "Common Stock" shall mean and include the Class A Common Stock, \$.01 par value, of the Company and the Class B Common Stock, \$.01 par value, of the Company, as authorized on May 25, 1994 and also any capital stock of any class of the Company hereinafter authorized which shall not be limited to a fixed sum or percentage in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company; provided, however, that the shares purchasable pursuant to this Warrant shall include only shares designated as Class A Common Stock, \$.01 par value, of the Company on May 25, 1994, or shares of any class or classes resulting from any reclassification or reclassifications thereof and in case at any time there shall be more than one such resulting class, the shares of each class then

so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

Section 4. Notices of Record Dates. In the event of:

(a) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution (other than cash dividends out of earned surplus), or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any right to sell shares of stock of any class or any other right; or

(b) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any transfer of all or substantially all the assets of the Company to or consolidation or merger of the Company with or into any other corporation or entity; or

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(c) any voluntary or involuntary dissolution, liquidation or winding-up of the Company, then and in each such event the Company will give notice to the holder of this Warrant specifying: (i) the date on which any such record is to be taken for the purpose of such dividend, distribution or right and stating the amount and character of such dividend, distribution or right; and (ii) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock will be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding-up. Such notice shall be given at least 20 days and not more than 90 days prior to the date therein specified, and such notice shall state that the action in question or the record date is subject to (x) the effectiveness of a registration statement under the Securities Act of 1933 and applicable state securities laws, or (y) a favorable vote of stockholders, if either is required.

Section 5. No Stockholder Rights or Liabilities.

(a) Except as set forth in paragraph (b) of this Section 5 and in the Stockholders Agreement, this Warrant shall not entitle the holder hereof to any voting rights or other rights as a stockholder of the Company. No provision hereof, in the absence of affirmative action by the holder hereof to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the holder hereof shall give rise to any liability of such holder for the Warrant price or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

(b) At any time while this Warrant is outstanding, the Company shall, prior to making any distribution of its property or assets to the holders of its Common Stock as a dividend in liquidation or partial liquidation or by way of return of capital or any dividend payable out of funds legally available for dividends under the laws of the State of Delaware, give to the holder of this Warrant, not less than 20 days, prior written notice of any such distribution. If such holder shall exercise this Warrant on or prior to the date of such distribution set forth in such notice, such holder shall be entitled to receive, upon such exercise: (i) the number of shares of Common Stock receivable pursuant to such exercise; and (ii) without payment of any additional consideration, a sum equal to the amount of such property or assets as would have been payable to the holder hereof as an owner of the shares described in clause (i) of this

paragraph (b) had the holder hereof been the holder of record of such shares on the record date for such distribution; and an appropriate provision with respect to such payment to such holder as described in this paragraph (b) shall be made a part of any such distribution.

Section 6. Lost, Stolen, Mutilated or Destroyed Warrant.. If this Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may in its discretion reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as the Warrant so lost, stolen, mutilated or destroyed. Any such new Warrant shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated or destroyed Warrant shall be at any time enforceable by anyone.

Section 7. Notices. All notices, requests and other communications required or permitted to be given or delivered hereunder shall be in writing, and shall be delivered, or shall be sent by certified or registered mail, postage prepaid and addressed, if to the holder to such holder at the address shown on the records of the Company or at such other address as shall have been furnished to the Company by notice from such holder. All notices, requests and other communications required or permitted to be given or delivered hereunder shall be in writing, and shall be delivered, or shall be sent by certified or registered mail, postage prepaid and addressed to the Company, at P.O. Box 866, Rutland, Vermont 05701; Attention: President, or at such other address as shall have been furnished to the holder by notice from the Company.

Section 8. Law Governing. This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, CASELLA WASTE SYSTEMS, INC., has executed this Warrant on and as of the 25th day of May, 1994.

CASELLA WASTE SYSTEMS, INC.

By: \_\_\_\_\_  
President

[Corporate Seal]

Attest:

\_\_\_\_\_  
Secretary

SUBSCRIPTION FORM TO BE EXECUTED  
UPON EXERCISE OF THE WARRANT

[Date]

To Casella Waste Systems, Inc.:

The undersigned, pursuant to the provisions set forth in the Warrant, hereby agrees to subscribe for and purchase [specify] shares of Class A Common Stock covered by such Warrant, and herewith tenders \$[specify] in full payment of the purchase price for such shares.

Name of Holder: \_\_\_\_\_

By: \_\_\_\_\_

Address: \_\_\_\_\_



AMENDED AND RESTATED REVOLVING  
CREDIT AND TERM LOAN AGREEMENT

This AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT is made as of the 6th day of August, 1997 by and among CASELLA WASTE SYSTEMS, INC., a Delaware corporation (the "Parent"), its Subsidiaries listed on Schedule 1 hereto (the "Subsidiaries," the Parent and such Subsidiaries herein collectively referred to as the "Borrowers"), each of which Borrowers (unless otherwise listed on Schedule 1 hereto) having its principal place of business at 25 Greens Hill Lane, Rutland, Vermont and BANKBOSTON, N.A., ("BankBoston"), a national banking association having its principal place of business at 100 Federal Street, Boston, Massachusetts 02110, KEYBANK NATIONAL ASSOCIATION, USTRUST, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, BHF-BANK AKTIENGESELLSCHAFT, COMERICA BANK and such banks or other financial institutions which may become a party hereto pursuant to ss.19 hereof (the "Banks") and BANKBOSTON as Agent for the Banks (the "Agent").

WHEREAS, the Borrowers, BankBoston, USTrust, KeyBank and the Agent were parties to that certain Revolving Credit and Term Loan Agreement dated as of January 25, 1995, as amended to date (as so amended, the "Original Credit Agreement"), pursuant to which such Banks agreed to make Loans to the Borrowers as set forth therein;

WHEREAS, the Borrowers, BankBoston, USTrust, KeyBank and the Agent amended and restated the Original Credit Agreement in its entirety as set forth in that certain Amended and Restated Revolving Credit and Term Loan Agreement dated as of June 17, 1997 (the "Prior Credit Agreement"), pursuant to which such Banks agreed to make Loans to Borrowers as set forth therein;

WHEREAS, the Borrowers have requested, and the Banks and the Agent have agreed to amend and restate the Prior Credit Agreement in its entirety as set forth herein;

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ss.1. DEFINITIONS AND RULES OF INTERPRETATION.

ss.1.1. Definitions. The following terms shall have the meanings set forth in this ss.1 or elsewhere in the provisions of this Agreement referred to below:

Accountants. See ss.6.4(a).

Agreement. This Amended and Restated Revolving Credit and Term Loan Agreement, including the Schedules and Exhibits hereto.

Agent. BankBoston acting as agent for the Banks.

Agent's Head Office. The Agent's head office is located at 100 Federal Street, Boston, Massachusetts 02110, or at such other location as the Agent may designate from time to time.

Applicable Laws. See ss.7.10.

Applicable Rate. The applicable rate per annum of interest on the Loans set forth in the following table:

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(1)		(1)		Applicable	
Applicable Rate for Revolving Credit Loans	Applicable Rate for Revolving Credit Loans which are	Applicable Rate for Series A Term	Applicable Rate for Series A Term	Applicable Rate for Series B Term	Applicable Rate for portion of Series B Term Loan which is

Pricing Ratio	which are Base Rate Loans	Eurodollar Rate Loans	Loan which is Base Rate Loan	Loan which is Eurodollar Rate Loan	Loan which is Base Rate Loan	Eurodollar Rate Loan
less than 2.00:1	Base Rate	Eurodollar Rate plus 1.75% per annum	Base Rate	Eurodollar Rate plus 1.75% per annum	Base Rate plus 0.50% per annum	Eurodollar Rate plus 3.00% per annum
greater than or equal to 2.00:1 and less than 2.50:1	Base Rate	Eurodollar Rate plus 2.00% per annum	Base Rate	Eurodollar Rate plus 2.00% per annum	Base Rate plus 0.50% per annum	Eurodollar Rate plus 3.00% per annum
greater than or equal to 2.50:1 and less than 3.00:1	Base Rate	Eurodollar Rate plus 2.25% per annum	Base Rate	Eurodollar Rate plus 2.25% per annum	Base Rate plus 0.50% per annum	Eurodollar Rate plus 3.00% per annum
greater than or equal to 3.00:1 and less than 3.50:1	Base Rate	Eurodollar Rate plus 2.50% per annum	Base Rate	Eurodollar Rate plus 2.50% per annum	Base Rate plus 0.50% per annum	Eurodollar Rate plus 3.00% per annum
greater than or equal to 3.50:1	Base Rate plus 0.25% per annum	Eurodollar Rate plus 2.75% per annum	Base Rate plus 0.25% per annum	Eurodollar Rate plus 2.75% per annum	Base Rate plus 0.50% per annum	Eurodollar Rate plus 3.00% per annum

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- (1) Provided, however if EBITDA as of the end of any fiscal quarter for the period of the four (4) fiscal quarters then ended is greater than \$30,000,000 or if the Parent raises \$30,000,000 of net proceeds from an equity offering (after redemption of all the Parent's stock (common and preferred) in connection with the equity offering) after the Closing Date, the Applicable Rate for Revolving Credit Loans which are Eurodollar Rate Loans and for portions of Series A Term Loans which are Eurodollar Rate Loans shall be reduced for such quarter and all future quarters by 0.25% per annum. If the Parent raises \$40,000,000 of net proceeds from an equity offering (after redemption of all the Parent's stock (common and preferred) in connection with the equity offering) after the Closing Date, the Applicable Rate for Revolving Credit Loans which are Eurodollar Rate Loans and for portions of Series A Term Loans which are Eurodollar Rate Loans shall be reduced for such quarter and all future quarters by 0.35% per annum.

Each Applicable Rate shall become effective on the first day after receipt by the Banks of financial statements delivered pursuant to ss.ss.7.4(a) or (b) hereof which indicate a change in the Pricing Ratio and in the Applicable Rate in accordance with the above table.

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If at any time the financial statements required to be delivered pursuant to ss.7.4(a) or (b) hereof are not delivered within 10 days after the time periods specified in such subsections, the Applicable Rate shall be the rate set forth in the table for a Pricing Ratio greater than or equal to 3.50:1, subject to adjustment upon actual receipt of such financial statements.

Balance Sheet Date. April 30, 1997.

BankBoston. BankBoston, N.A., f/k/a The First National Bank of Boston.

Base Rate. The higher of (a) the annual rate of interest announced from time to time by the Agent at its head office in Boston, Massachusetts, as its "base rate" (it being understood that such rate is a reference rate and not necessarily the lowest rate of interest charged by the Bank) or (b) one percent (1%) above the overnight federal funds effective rate, as published by the Board of Governors of the Federal Reserve System, as in effect from time to time.

Base Rate Loans. Revolving Credit Loans and all or any portion of the Term Loan bearing interest calculated by reference to the Base Rate.

Borrowers. See Preamble.

Business Day. Any day on which banking institutions in Boston, Massachusetts are open for the transaction of banking business, and, in the case

of Eurodollar Rate Loans, also a day which is a Eurodollar Business Day.

Capital Assets. Fixed assets, both tangible (such as land, buildings, fixtures, machinery and equipment) and intangible (such as patents, copyrights, trademarks, franchises and good will); provided that Capital Assets shall not include any item customarily charged directly to expense or depreciated over a useful life of twelve (12) months or less in accordance with GAAP.

Capital Expenditures. Amounts paid or indebtedness incurred by any Person in connection with the purchase and lease by such Person of Capital Assets that would be required to be capitalized and shown on the balance sheet of such Person in accordance with GAAP.

Casella Associates Leases. The leases between the Borrowers and Casella Associates, a Vermont partnership, for the property in Rutland, Vermont and Montpelier, Vermont.

Casella TIRES Real Estate. The Real Property in Elliot, Maine owned by Casella T.I.R.E.S., Inc.

Certified. With respect to the financial statements of any Person, such statements as audited by a firm of independent auditors, whose report expresses the opinion, without qualification, that such financial statements present fairly the financial position of such Person.

CFO. See ss.7.4(b).

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Clinton Lease. The Operation, Management and Lease Agreement dated as of July 10, 1996 between the Parent and Clinton County, New York for the lease of the Clinton County Landfill and related assets.

Closing Date. The date on which the conditions precedent set forth in ss.9 are satisfied.

Code. The Internal Revenue Code of 1986, as amended and in effect from time to time.

Collateral. All of the property, rights and interests of the Borrowers that are or are intended to be subject to the security interests and mortgages created by the Security Documents.

Collateral Assignment of Contracts and Permits. The Amended and Restated Collateral Assignment of Contracts and Permits dated as of the Closing Date among the Borrowers and the Agent, in form and substance satisfactory to the Agent.

Commitment. With respect to each Bank, the amount determined by multiplying such Bank's Commitment Percentage by the aggregate amount of the Banks' Total Commitment to make Revolving Credit Loans to the Borrowers, as the same may be reduced from time to time.

Commitment Fee Percentage. The applicable percentage per annum as set forth below used in calculating the commitment fee payable pursuant to ss.5.2(a), which percentage shall vary from time to time in accordance with the Pricing Ratio:

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Pricing Ratio	Commitment Fee Percentage
less than 2.00:1	1/4%
greater than or equal to 2.00:1 and less than 2.50:1	3/8%
greater than or equal to 2.50:1 and less than 3.00:1	3/8%
greater than or equal to 3.00:1 and less than 3.50:1	1/2%

greater than or equal to 3.50:1

1/2%

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The Commitment Fee Percentage shall become effective on the first day after receipt by the Banks of financial statements delivered pursuant to ss.7.4(a) or ss.7.4(b) which indicate a change in the Pricing Ratio and in the Commitment Fee Percentage in accordance with the above table.

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If at any time the financial statements required to be delivered pursuant to ss.7.4(a) or (b) hereof are not delivered with 10 days after the time periods specified in such subsections, the Applicable Rate shall be the rate set forth in the table for a Pricing Ratio greater than or equal to 3.50:1, subject to adjustment upon actual receipt of such financial statements.

Commitment Percentage. With respect to each Bank, the percentage set forth beside its name on Schedule 2 hereto as the amount of such Bank's percentage of the aggregate Commitments of all of the Banks (subject to adjustment upon any assignment pursuant to ss.19):

Compliance Certificate. See ss.7.4(c).

Consolidated or consolidated. With reference to any term defined herein, shall mean that term as applied to the accounts of the Borrowers consolidated in accordance with GAAP.

Consolidated Current Assets. All assets of the Borrowers on a consolidated basis that, in accordance with GAAP, are properly classified as current assets, provided that notes and accounts receivable shall be included only if good and collectible as determined by the Borrowers in accordance with established practice consistently applied and, with respect to such notes, only if payable on demand or within one (1) year from the date as of which Consolidated Current Assets are to be determined and if not directly or indirectly renewable or extendable at the option of the debtors, by their terms, or by the terms of any instrument or agreement relating thereto, beyond such year, and, with respect to such accounts receivable, only if payable and outstanding not more than one hundred twenty (120) days after the date of the shipment of goods or provision of services or other transaction out of which any such account receivable arose; and such notes and accounts receivable shall be taken at their face value less reserves determined to be sufficient in accordance with GAAP.

Consolidated Current Liabilities. All liabilities of the Borrowers on a consolidated basis maturing on demand or within one (1) year from the date as of which Consolidated Current Liabilities are to be determined (but excluding the current portion or current maturities of long term debt and the lease obligations under the Waste USA Lease) and such other liabilities as may properly be classified as current liabilities in accordance with GAAP.

Consolidated Earnings Before Interest and Taxes or EBIT. For any period, the Consolidated Net Income (or Deficit) of the Borrowers determined in accordance with GAAP, plus (a) interest expense, and (b) income tax expense.

Consolidated Earnings Before Interest Taxes Depreciation and Amortization or EBITDA. For any period, the Consolidated Net Income (or Deficit) of the Borrowers determined in accordance with GAAP, plus (a) interest expense, (b) income taxes (c) amortization expense and (d) depreciation expense for such period.

Consolidated Fixed Charges. For any period, the sum of (a) Consolidated Total Interest Expense plus (b) scheduled payments on operating leases and capitalized leases of the Borrowers during such period (to the extent not already included in the calculation of Consolidated Total

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Interest Expense or in the scheduled principal payments described in clause (b) of this definition but excluding lease payments made under the Waste USA Lease),

plus (c) scheduled principal payments that are due and payable during such period with respect to Indebtedness of the Borrowers for borrowed money which (i) is not payable on demand or (ii) matures more than one (1) year from the date such Indebtedness was incurred, plus (d) dividends and other Distributions paid or required to be paid to holders of the preferred stock of any of the Borrowers during such period, all as determined in accordance with GAAP.

Consolidated Net Income (or Deficit). The consolidated net income (or deficit) of the Borrowers after deduction of all expenses, taxes and proper charges and before deduction of [(a) the special pre-tax, one-time charges in the amount of \$650,000 incurred in the fiscal quarter ended April 30, 1997 in connection with the settlement of the Meridian Litigation and (b)] the \$100,000 charge incurred in the fiscal quarter ended April 30, 1997 in connection with the establishment of a reserve for the Casella T.I.R.E.S., Inc. stockpile in Hampden, Maine.

Consolidated Net Worth. The excess of Consolidated Total Assets over Consolidated Total Liabilities.

Consolidated Senior Liabilities. The sum of Consolidated Total Liabilities minus the outstanding principal amount of Subordinated Debt (in each case, excluding lease obligations under the Waste USA Lease to the extent included in the calculation of Consolidated Total Liabilities or the outstanding principal amount of Subordinated Debt).

Consolidated Total Interest Expense. For any period, the aggregate amount of interest expense required to be paid or accrued by the Borrowers during such period on all Indebtedness of the Borrowers outstanding during all or any part of such period, including capitalized interest expense for such period, but excluding therefrom (a) the non-cash amortization of debt issuance costs and (b) non-cash charges related to the amortization of the Parent's Series C Redeemable Preferred Stock.

Consolidated Total Assets. All assets of the Borrowers determined on a consolidated basis in accordance with GAAP.

Consolidated Total Liabilities. All liabilities of the Borrowers determined on a consolidated basis in accordance with GAAP.

Consulting Engineer. An environmental consulting firm acceptable to the Banks.

Conversion Request. A notice given by the Borrowers to the Agent of the Borrowers' election to convert or continue a Loan in accordance with ss.5.12.

Default. See ss.13.

Depository Accounts. See ss.6.23.

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Disposal. See "Release".

Distribution. The declaration or payment of any dividend on or in respect of any shares of any class of capital stock of any Person, other than dividends payable solely in shares of common stock of such Person; the purchase, redemption, or other retirement of any shares of any class of capital stock of such Person, directly or indirectly through a Subsidiary or otherwise; the return of capital by any Person to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of such Person.

Dollars or \$. Dollars in lawful currency of the United States of America.

EBIT. See definition of Consolidated Earnings Before Interest and Taxes.

EBITDA. See definition of Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization.

Employee Benefit Plan. Any employee benefit plan within the meaning of ss.3(3) of ERISA maintained or contributed to by any Borrower or any ERISA Affiliate, other than a Multiemployer Plan.

Environmental Laws. See ss.6.16(a).

ERISA. The Employee Retirement Income Security Act of 1974, as amended and in effect from time to time.

ERISA Affiliate. Any Person which is treated as a single employer with any Borrower under ss.414 of the Code.

ERISA Reportable Event. A reportable event with respect to a Guaranteed Pension Plan within the meaning of ss.4043 of ERISA and the regulations promulgated thereunder as to which the requirement of notice has not been waived.

Eurocurrency Reserve Rate. For any day with respect to a Eurodollar Rate Loan, the maximum rate (expressed as a decimal) at which any Bank subject thereto would be required to maintain reserves under Regulation D of the Board of Governors of the Federal Reserve System (or any successor or similar regulations relating to such reserve requirements) against "Eurocurrency Liabilities" (as that term is used in Regulation D), if such liabilities were outstanding. The Eurocurrency Reserve Rate shall be adjusted automatically on and as of the effective date of any change in the Eurocurrency Reserve Rate.

Eurodollar Business Day. Any day on which commercial banks are open for international business (including dealings in Dollar deposits) in London or such other Dollar interbank market as may be selected by the Agent in its sole discretion acting in good faith.

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Eurodollar Rate. For any Interest Period with respect to a Eurodollar Rate Loan, the rate of interest equal to (i) the arithmetic rate per annum (rounded upwards to the nearest 1/16 of one percent) at which Dollar deposits are offered to the Agent by prime banks in whatever Eurodollar market may be selected by the Agent in its sole discretion, acting in good faith at or about 10:00 a.m. local time in such interbank market two Eurodollar Business Days prior to the beginning of such Interest Period, for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of the Eurodollar Rate Loan to which such Interest Period applies, divided by (ii) a number equal to 1.00 minus the Eurocurrency Reserve Rate, if applicable.

Eurodollar Rate Loans. Revolving Credit Loans and all or any portion of the Term Loan bearing interest calculated by reference to the Eurodollar Rate.

Event of Default. See ss.13.

Generally Accepted Accounting Principles or GAAP. When used in general, Generally Accepted Accounting Principles means (1) principles that are consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, in effect for the fiscal year ended on the Balance Sheet Date, as shall be concurred in by independent certified public accountants of recognized standing whose report expresses an unqualified opinion (other than a qualification regarding changes in Generally Accepted Accounting Principles) as to financial statements in which such principles have been applied; and (2) when used with reference to the Borrowers, such principles shall include (to the extent consistent with such principles) the accounting practices reflected in the consolidated financial statements for the year ended on the Balance Sheet Date.

Guaranteed Pension Plan. Any employee pension benefit plan within the meaning of ss.3(2) of ERISA maintained or contributed to by any Borrower or any ERISA Affiliate the benefits of which are guaranteed on termination in full or in part by the PBGC pursuant to Title IV of ERISA, other than a Multiemployer Plan.

Hazardous Substances. See ss.6.16(b).

Indebtedness. All obligations, contingent and otherwise, that in accordance with GAAP should be classified upon the obligor's balance sheet as liabilities, or to which reference should be made by footnotes thereto, including in any event and whether or not so classified: (a) all debt and similar monetary obligations (including capitalized leases and operating leases with a term longer than 3 years), whether direct or indirect; (b) all

liabilities secured by any mortgage, pledge, security interest, lien, charge, or other encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; and (c) all guarantees, endorsements and other contingent obligations in respect of indebtedness of others, whether direct or indirect, including any obligation to supply funds to or in any manner to invest in, directly or indirectly, the debtor, to purchase indebtedness, or to assure the owner of indebtedness against loss, through an agreement to purchase goods, supplies, or services for the

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purpose of enabling the debtor to make payment of the indebtedness held by such owner or otherwise, and the obligations to reimburse the issuer in respect of any letters of credit.

Interest Period. With respect to each Eurodollar Loan:

(a) initially, the period commencing on the date of a conversion from a Base Rate Loan into a Eurodollar Loan or the making of a Eurodollar Loan, and ending one (1), two (2), three (3) months or six (6) thereafter, as the case may be, as the Borrowers may select pursuant to the provisions of this Agreement; and

(b) thereafter, each subsequent Interest Period shall begin on the last day of the preceding Interest Period, and end one (1), two (2), (3) months or six (6) thereafter, as the case may be, as the Borrowers may select pursuant to the provisions of this Agreement;

provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(A) if any Interest Period would otherwise end on a day that is not a Eurodollar Business Day, that Interest Period shall be extended to the next succeeding Eurodollar Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Eurodollar Business Day;

(B) if the Borrowers shall fail to give notice as provided in ss.5.12, the Borrowers shall be deemed to have requested a conversion of the affected Eurodollar Rate Loan to a Base Rate Loan and the continuance of all Base Rate Loans as Base Rate Loans on the last day of the then current Interest Period with respect thereto;

(C) any Interest Period relating to any Eurodollar Rate Loan that begins on the last Eurodollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Eurodollar Business Day of a calendar month; and

(D) no Interest Period shall extend beyond the Revolving Credit Maturity Date (if related to a Revolving Credit Loan) or the Series A Term Loan Maturity Date (if related to Term Loan (I) or a portion thereof) or the Series B Term Loan Maturity Date (if related to Term Loan (II) or a portion thereof).

Investments. All expenditures made and all liabilities incurred (contingently or otherwise) for the acquisition of stock or Indebtedness of, or for loans, advances, capital contributions or transfers of property to, or in respect of any guaranties (or other commitments as described under Indebtedness), or obligations of, any Person. In determining the aggregate amount of Investments outstanding at any particular time: (a) the amount of any Investment represented by a guaranty shall be taken at not less than the principal amount of the obligations guaranteed and still outstanding; (b) there shall be included as an Investment all interest accrued

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with respect to Indebtedness constituting an Investment unless and until such interest is paid; (c) there shall be deducted in respect of each such Investment any amount received as a return of capital (but only by repurchase, redemption, retirement, repayment, liquidating dividend or liquidating distribution); (d)

there shall not be deducted in respect of any Investment any amounts received as earnings on such Investment, whether as dividends, interest or otherwise, except that accrued interest included as provided in the foregoing clause (b) may be deducted when paid; and (e) there shall not be deducted from the aggregate amount of Investments any decrease in the value thereof.

KeyBank. KeyBank National Association, f/k/a Key Bank of Vermont.

Letters of Credit. Standby Letters of Credit issued or to be issued by the Agent under ss.3 hereof for the account of the Borrowers.

Letter of Credit Applications. Letter of Credit Applications in such form as may be agreed upon by any Borrower and the Agent from time to time which are entered into pursuant to ss.3 hereof as such Letter of Credit Applications are amended, varied or supplemented from time to time.

Letter of Credit Fee. See ss.5.2(b).

Letter of Credit Participation. See ss.3.1(b).

Loan Documents. This Agreement, the Notes, the Letter of Credit Applications, the Letters of Credit, the Security Documents, the Stockholders Stand-off Agreement and the Subordination Agreements.

Loan and Letter of Credit Request. See ss.2.6.

Loans. The Revolving Credit Loans and the Term Loan.

Maximum Drawing Amount. The maximum aggregate amount from time to time that the beneficiaries may draw under outstanding Letters of Credit.

Meridian Litigation. The civil action brought by John A. Russell, Jr. and Paul P. Tierney derivatively on behalf of Meridian Group, Inc. against the Parent and certain other parties in Rutland (Vermont) Superior Court.

Mortgages. The mortgages and deeds of trust, as amended and in effect from time to time, from the Borrowers to the Agent with respect to the fee and leasehold interests of the Borrowers in the Sanco Landfill, the Sawyer Real Estate, the Casella TIRES Real Estate, the Superior Real Estate, and the Waste USA Landfill, each in form and substance satisfactory to the Agent, and any other mortgages or deeds of trust requested by the Agent pursuant to ss.7.19.

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

Notes. Collectively, the Revolving Credit Notes and the Term Notes.

Obligations. All indebtedness, obligations and liabilities of the Borrowers to any of the Banks and the Agent, individually or collectively, existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, arising or incurred under this Agreement or any of the other Loan Documents or in respect of any of the Loans made or Reimbursement Obligations incurred or the Letters of Credit, the Notes, interest rate protection arrangements provided by any of the Banks or any other instrument at any time evidencing any thereof.

PBGC. The Pension Benefit Guaranty Corporation created by ss.4002 of ERISA and any successor entity or entities having similar responsibilities.

Permit Note. The promissory note of New England Waste Services of Vermont, Inc. dated January 25, 1995 and payable to the order of Waste USA in the principal amount of \$200,000.

Permitted Liens. See ss.8.2.

Person. Any individual, corporation, partnership, trust, unincorporated

association, business, or other legal entity, and any government or any governmental agency or political subdivision thereof.

Pricing Ratio. At the end of any fiscal quarter of the Borrowers, the ratio of Indebtedness of the Borrowers for borrowed money and capitalized leases (excluding the first \$1,600,000 of Indebtedness under or in respect of the Casella Associates Leases and Indebtedness with respect to the Waste USA Lease) to (b) EBITDA (minus interest, depreciation and amortization expense related to the Casella Associates Leases and the Waste USA Lease) for the period of four (4) consecutive fiscal quarters then ended, as calculated on the Compliance Certificate delivered by the Borrowers pursuant to ss.7.4(c).

Prior Credit Agreement. See Recitals.

Real Property. All real property heretofore, now, or hereafter owned or leased by the Borrowers.

Reimbursement Obligation. The Borrowers' obligation to reimburse the Agent and the Banks on account of any drawing under any Letter of Credit as provided in ss.3.2.

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Release. Shall have the meaning specified in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. ss.ss.9601 et seq. ("CERCLA") and the term "Disposal" (or "Disposed") shall have the meaning specified in the Resource Conservation and Recovery Act of 1976, 42 U.S.C. ss.ss.6901 et seq. ("RCRA") and regulations promulgated thereunder; provided, that in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply as of the effective date of such amendment and provided further, to the extent that the laws of a state wherein the property lies establishes a meaning for "Release" or "Disposal" which is broader than specified in either CERCLA or RCRA, such broader meaning shall apply.

Required Banks. As of any date, the Banks holding sixty-six and two thirds percent (66 2/3%) of the outstanding principal amount of the Loans on such date; and if no such principal is outstanding, the Banks whose aggregate Commitments constitute sixty-six and two thirds percent (66 2/3%) of the Total Commitment.

Revolving Credit Loans. Revolving credit loans made or to be made by the Banks to the Borrowers pursuant to ss.2.

Revolving Credit Maturity Date. July 31, 2002.

Revolving Credit Notes. See ss.2.3.

Sanco Landfill. The Landfill in Bethlehem, New Hampshire, owned and operated by North Country Environmental Services, Inc.

Sawyer Real Estate. The Real Property in Hampden, Maine owned by Sawyer Environmental Services and Sawyer Environmental Recovery Facilities, Inc.

Security and Pledge Agreement. The Amended and Restated Security and Pledge Agreement, dated the Closing Date, among the Borrowers and the Agent in form and substance satisfactory to the Agent.

Security Documents. The Security and Pledge Agreement, the Collateral Assignment of Contracts and Permits, and the Mortgages, each as amended and in effect from time to time, and any additional documents evidencing or perfecting the Agent's lien on the assets of the Borrowers for the benefit of the Banks, including Uniform Commercial Code financing statements.

Series A Term Loan. The loan made or deemed made by the Banks pursuant to ss.4A.1 hereof.

Series A Term Loan Maturity Date. July 31, 2002.

Series A Term Loan Percentage. With respect to the Banks listed below, the percentage set forth beside its name below (subject to adjustment upon any assignment pursuant to ss.19):

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BankBoston	24.2105%
KeyBank	21.0526%
UStTrust	13.6842%
Bank of America	15.7895%
Comerica Bank	12.6316%
BHF-Bank Aktiengesellschaft	12.6316%

Series A Term Note. See ss.4A.2.

Series B Term Loan. The loan made or deemed made by the Banks pursuant to ss.4B.1 hereof.

Series B Term Loan Bank(s). BankBoston, KeyBank and UStTrust.

Series B Term Loan Percentage. With respect to the Series B Term Loan Banks listed below, the percentage set forth beside its name below (subject to adjustment upon any assignment pursuant to ss.19):

BankBoston	46.6667%
KeyBank	33.3333%
UStTrust	20.0000%

Series B Term Loan Maturity Date. July 31, 2004.

Series B Term Note. See ss.4B.2.

Settlement. The making of, or receiving of, payments in immediately available funds, by the Banks to or from the Agent in accordance with ss.2.7 to the extent necessary to cause each Bank's actual share of the outstanding amount of the Loans to be equal to each Bank's Commitment Percentage of the outstanding amount of such Loans, in any case where, prior to such event or action, the actual share is not so equal.

Settlement Amount. See ss.2.7(b).

Settlement Date. (a) The Drawdown Date relating to any Loan and Letter of Credit Request, (b) the last Business Day of each week, (c) the Business Day immediately following the Agent becoming aware of the existence of an Event of Default, (d) any Business Day on which the amount of Revolving Credit Loans outstanding from BankBoston is equal to or greater than BankBoston's Commitment, or (e) the Business Day immediately following any Business Day on which the amount of Revolving Credit Loans outstanding increases or decreases by more than \$1,000,000 as compared to the previous Settlement Date.

Settling Bank. See ss.2.7(b).

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Stockholders Stand-off Agreement. The Stand-off Agreement, dated as of December 22, 1995, among the Agent, the Parent and the holders of the Parent's Series A Redeemable Preferred Stock, Series B Redeemable Preferred Stock, Series C Redeemable Preferred Stock and Series D Convertible Preferred Stock, in form and substance satisfactory to the Agent and the Banks.

Subordinated Debt. Indebtedness of the Borrowers which has been subordinated and made junior to the payment and performance in full of the Obligations, and evidenced as such by the Subordination Agreements or by another written instrument containing subordination provisions in form and substance satisfactory to the Banks, including without limitation, the Permit Note and the obligations to Waste USA under the Waste USA Lease; provided that (a) at the time such Subordinated Debt is incurred, no Default or Event of Default has occurred or would occur as a result of such incurrence, (b) the aggregate Subordinated Debt incurred after the date hereof does not exceed \$15,000,000; and (c) the documentation evidencing such Subordinated Debt shall have been delivered to the Agent and shall contain all of the following characteristics: (i) it shall be unsecured, (ii) it shall bear a market rate of interest, (iii) it shall have a final maturity of at least five (5) years, (iv) it shall not require unscheduled principal repayments thereof prior to the maturity date, (v) it shall have financial covenants (including covenants relating to incurrence of indebtedness) which are meaningfully less restrictive than those set forth herein, (vi) it shall have no restrictions on the Borrower's ability to grant liens securing indebtedness ranking senior to such Subordinated Debt, (vii) it

shall permit the incurrence of senior indebtedness under this Credit Agreement, (viii) it may be cross-accelerated with the Obligations and other senior indebtedness of the Borrowers (but shall not be cross-defaulted except for payment defaults which the senior lenders have not waived) and may be accelerated upon bankruptcy, (ix) it shall provide that (A) upon any payment or distribution of the assets of the Borrowers (including after the commencement of a bankruptcy proceeding) of any kind or character, all of the Obligations (including interest accruing after the commencement of any bankruptcy proceeding at the rate specified for the applicable Obligation, whether or not such interest is an allowable claim in any such proceeding) shall be paid in full prior to any payment being received by the holders of the Subordinated Debt and (B) until all of the Obligations (including the interest described in subclause (A) above) are paid in full in cash, any payment or distribution to which the holders of the Subordinated Debt would be entitled but for the subordination provisions of the type described in clauses (x) and (xi) hereof shall be made to the holders of the Obligations, (x) it shall provide that in the event of a payment default under ss.13.1(a) or (b) hereof, the Borrowers shall not be required to pay the principal of, or any interest, fees and all other amounts payable with respect to the Subordinated Debt until the Obligations have been paid in full in cash, (xi) it shall provide that in the event of any other Event of Default, the Banks shall be permitted to block payments of principal, interest, fees and all other amounts payable with respect to the Subordinated Debt for a period of 180 days, and (xii) it shall acknowledge that none of the provisions outlined in part (c) of this definition can be amended, modified or otherwise altered without the prior written consent of the Banks.

Subordination Agreements. Collectively, (a) the Waste USA Subordination Agreement, (b) the Subordination Agreement dated as of August 1, 1995 among the Agent, the Parent and Green Mountain Sanitation, Inc., Hardwick Recycling and Salvage, Inc., Morrisville Maintenance, Inc. and Northern Transfer, Inc. subordinating the \$500,000 promissory note of the

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Parent referenced therein, (c) any Subordination Agreement among the Agent, Casella Waste Management, Inc. and Northeast Waste Services, Ltd. subordinating certain obligations of Casella Waste Management, Inc. to Northeast Waste Services, Ltd. referenced therein, (d) any Subordination Agreement among the Agent, the Parent, and the sellers of the capital stock of Sawyer Environmental Recovery Facilities, Inc. and Sawyer Environmental Services (such sellers, collectively, the "Sawyer Sellers"), subordinating certain obligations of the Parent to the Sawyer Sellers referenced therein and (e) any other subordination agreements entered into by the Agent, the Borrowers and any sellers of assets to any Borrower, subordinating the obligations of such Borrower to such seller to the Obligations in substantially the form of Exhibit \_\_ hereto.

Subsidiary. Any corporation, association, trust, or other business entity of which the designated parent shall at any time own directly or indirectly through a Subsidiary or Subsidiaries at least a majority of the outstanding capital stock or other interest entitled to vote generally.

Superior Real Estate. The Real Property in Newfield, New York owned by Casella 15 Waste Management of N.Y., Inc.

Term Loan. Collectively, Series A Term Loan and Series B Term Loan.

Term Notes. Collectively, the Series A Term Notes and the Series B Term Notes.

Total Commitment. \$85,000,000, or such lesser amount as may result from reductions pursuant to ss.2.2.

Total Leverage Ratio. See ss.9.2.

Type. As to any Revolving Credit Loan or all or portion of the Term Loan, its nature as a Base Rate Loan or a Eurodollar Rate Loan.

Waste USA. Waste U.S.A., Inc., a Vermont corporation.

Waste USA Landfill. The Landfill in Coventry, Vermont acquired from Waste USA by New England Waste Services of Vermont, Inc.

Waste USA Lease. The lease of the airspace at the Waste USA Landfill

between the lessor thereunder and New England Waste Services of Vermont, Inc.

Waste USA Purchase Agreement. The Asset Purchase, Stock Purchase and Lease Agreement dated as of May 6, 1994 among Waste USA, 161531 Canada Ltd. and New England Waste Services, Inc., which agreement has been assigned by New England Waste Services, Inc. to New England Waste Services of Vermont, Inc.

Waste USA Subordination Agreement. The Subordination Agreement dated as of January 25, 1995, among the Agent and Waste USA.

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ss.1.2. Rules of Interpretation.

(a) A reference to any document or agreement shall include such document or agreement as amended, modified or supplemented from time to time in accordance with its terms and the terms of this Agreement.

(b) The singular includes the plural and the plural includes the singular.

(c) A reference to any law includes any amendment or modification to such law.

(d) A reference to any Person includes its permitted successors and permitted assigns.

(e) Accounting terms capitalized but not otherwise defined herein have the meanings assigned to them by Generally Accepted Accounting Principles applied on a consistent basis by the accounting entity to which they refer.

(f) The words "include", "includes" and "including" are not limiting.

(g) All terms not specifically defined herein or by Generally Accepted Accounting Principles, which terms are defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts, have the meanings assigned to them therein.

(h) Reference to a particular "ss." refers to that section of this Agreement unless otherwise indicated.

(i) The words "herein", "hereof", "hereunder" and words of like import shall refer to this Agreement as a whole and not to any particular section or subdivision of this Agreement.

ss.2. THE REVOLVING CREDIT LOANS.

ss.2.1. Commitment to Lend. Subject to the terms and conditions set forth in this Agreement, each of the Banks severally agrees to lend to the Borrowers and the Borrowers may borrow, repay, and reborrow from time to time between the Closing Date and the Revolving Credit Maturity Date upon notice by the Borrowers to the Agent given in accordance with ss.2.6, such Bank's Commitment Percentage of such sums as are requested by the Borrowers in the minimum aggregate amount of \$250,000 or an integral multiple thereof; provided, that except as otherwise provided herein, the outstanding amount of Revolving Credit Loans and the Maximum Drawing Amount of the Letters of Credit shall not exceed the Total Commitment at any time. Revolving Credit Loans made hereunder shall be made pro rata in accordance with each Bank's Commitment Percentage. Each request for a Revolving Credit Loan hereunder shall constitute a representation and warranty by the Borrowers that the conditions set forth in ss.10 and ss.11, as the

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case may be, have been satisfied on the date of such request. Any unpaid Reimbursement Obligation under the Letters of Credit shall for all purposes be a Revolving Credit Loan hereunder.

ss.2.2. Reduction of Total Commitment. (a) The Borrowers shall have the right at any time and from time to time upon two (2) Business Days' prior written notice to the Agent to reduce by \$1,000,000 or an integral multiple thereof or terminate entirely the Total Commitment, whereupon the Commitments of the Banks shall be reduced pro rata in accordance with their respective Commitment Percentages of the amount specified in such notice or, as the case may be, terminated. The Agent will notify the Banks promptly after receiving any notice of the Borrowers delivered pursuant to this ss.2.2.

(b) No reduction or termination of the Total Commitment once made may be revoked; the portion of the Total Commitment reduced or terminated may not be reinstated; and amounts in respect of such reduced or terminated portion may not be reborrowed.

ss.2.3. The Revolving Credit Notes. The Revolving Credit Loans shall be evidenced by promissory notes of the Borrowers in substantially the form of Exhibit A hereto (each a "Revolving Credit Note"), dated as of the Closing Date and completed with appropriate insertions. One Revolving Credit Note shall be payable to the order of each Bank in a principal amount equal to such Bank's Commitment or, if less, the outstanding amount of all Revolving Credit Loans made by such Bank, plus interest accrued thereon, as set forth below. The Borrowers irrevocably authorize each Bank to make or cause to be made, in connection with a drawdown date of any Revolving Credit Loan or at the time of receipt of any payment of principal on such Bank's Revolving Credit Note, an appropriate notation on such Bank's records reflecting the making of such Revolving Credit Loan or the receipt of such payment (as the case may be). The outstanding amount of the Revolving Credit Loans set forth on such Bank's record shall be prima facie evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount shall not limit or otherwise affect the obligations of the Borrowers hereunder or under any Revolving Credit Note to make payments of principal or interest on any Revolving Credit Note when due.

ss.2.4. Maturity of the Revolving Credit Loans. The Revolving Credit Loans shall be due and payable on the Revolving Credit Maturity Date. The Borrowers promise to pay on the Revolving Credit Maturity Date all Revolving Credit Loans outstanding on such date, together with any and all accrued and unpaid interest thereon. The Banks shall effect a Settlement on the Revolving Credit Maturity Date.

ss.2.5. Mandatory Repayments of the Revolving Credit Loans. If at any time the outstanding amount of the Revolving Credit Loans plus the Maximum Drawing Amount of all outstanding Letters of Credit exceeds the Total Commitment, whether by reduction of the Total Commitment or otherwise, then the Borrowers shall immediately pay the amount of such excess to the Agent for application to the Revolving Credit Loans, subject to Settlement among the Banks in accordance with ss.2.7(b) hereof, or if no Revolving Credit Loans shall be outstanding, to be held by the Agent as collateral security for the Reimbursement Obligations provided,

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however, that if the amount of cash collateral held by the Agent pursuant to this ss.2.5 exceeds the amount of the Obligations, the Agent shall return such excess to the Borrowers.

ss.2.6. Requests for Revolving Credit Loans. (a) The Borrowers shall give to the Agent written notice in the form of Exhibit D hereto (or telephonic notice confirmed by telecopy on the same Business Day in the form of Exhibit D hereto) of each Revolving Credit Loan requested hereunder (a "Loan and Letter of Credit Request") not later than 11:00 a.m. Boston time (i) no less than one (1) Business Day prior to the proposed drawdown date (the "Drawdown Date") of any Base Rate Loan and (ii) no less than three (3) Eurodollar Business Days prior to the proposed Drawdown Date of any Eurodollar Rate Loan. Each such notice shall specify (A) the amount of such Revolving Credit Loan, (B) the proposed Drawdown Date of such Revolving Credit Loan, (C) the Type of such Revolving Credit Loan, and (D) the Interest Period for such Revolving Credit Loan (if a Eurodollar Rate Loan).

(b) Notwithstanding the notice and minimum amount requirements set forth in ss.2.6(a), but otherwise in accordance with the terms and conditions of this Credit Agreement, the Agent may, in its sole discretion and without conferring with the Banks, make Revolving Credit Loans which are Base

Rate Loans to the Borrowers by entry of credits to the Borrowers' operating account(s) with the Agent or such other account designated by the Parent and agreed to by the Agent to cover checks which the Borrowers have drawn or made against such account. The Borrowers hereby request and authorize the Agent to make from time to time such Revolving Credit Loans by means of appropriate entries of such credits sufficient to cover checks then presented. The Borrowers acknowledge and agree that the making of such Revolving Credit Loans shall, in each case, be subject in all respects to the provisions of this Credit Agreement as if they were Revolving Credit Loans covered by a Loan and Letter of Credit Request including, without limitation, the limitations set forth in ss.2.1 and the requirements that the applicable provisions of ss.10 (in the case of Revolving Credit Loans made on the Closing Date) and ss.11 be satisfied. All actions taken by the Agent pursuant to the provisions of this ss.2.6(b) shall be conclusive and binding on the Borrowers absent manifest error or the Agent's gross negligence or willful misconduct. Prior to a Settlement, interest on Revolving Credit Loans made pursuant to this ss.2.6(b) shall be for the account of the Agent.

ss.2.7. Funds for Loans; Settlements.

(a) Upon receipt of the documents required by ss.10 and 11 and the satisfaction of the other conditions set forth therein, to the extent applicable, the Agent will deposit into the account of the Parent at the Agent's Head Office the amount of such Revolving Credit Loans requested by the Borrowers pursuant to ss.2.6 hereunder in immediately available funds not later than 2:00 p.m. (Boston time) on the proposed Drawdown Date.

(b) The Banks shall effect Settlements on each Settlement Date. On or before 12:00 p.m. (Boston time) on each such Settlement Date, the Agent shall give telephonic notice to the Banks of (i) (A) the respective outstanding amount of Revolving Credit Loans made by each Bank from the immediately preceding Settlement Date through the close of business on the prior day and (B) the unfunded amount, if any, of each Revolving Credit Loan requested pursuant to

ss.2.7(a) as of such time on such date, (ii) the amount that any Bank, as applicable (the "Settling Bank"), shall pay to effect a Settlement (the "Settlement Amount") and (iii) the portion (if any) of the aggregate Settlement Amount to be paid to each Bank. A statement of the Agent submitted to the Banks with respect to any amounts owing under this ss.2.7(b) shall be prima facie evidence of the amount due and owing. Each Settling Bank shall, as promptly as practical during normal business hours on each Settlement Date, effect a wire transfer of immediately available funds to the Agent in the amount of its Settlement Amount. The Agent shall, as promptly as practicable during normal business hours on each Settlement Date, effect a wire transfer of immediately available funds to each Bank of the Settlement Amount to be paid to such Bank. All funds advanced by any Bank as a Settling Bank pursuant to this ss.2.7(b) shall for all purposes be treated as a Revolving Credit Loan made by such Settling Bank to the Borrowers and all funds received by any Bank pursuant to this ss.2.7(b) shall for all purposes be treated as repayment of amounts owed by the Borrowers with respect to Revolving Credit Loans made by such Bank as of the date received by the Agent. In the event that any bankruptcy, reorganization, liquidation, receivership or similar cases or proceedings in which any of the Borrowers is a debtor prevents a Settling Bank from making any Revolving Credit Loan to effect a Settlement as contemplated hereby, such Settling Bank will make such disposition and arrangements with the other Banks and the Agent with respect to such Revolving Credit Loans, either by way of purchase of participations, distribution, pro tanto assignment of claims, subrogation or otherwise as shall result in each Bank's share of the outstanding Revolving Credit Loans being equal, as nearly as may be, to such Bank's Commitment Percentage of the outstanding amount of the Revolving Credit Loans.

(c) The Agent may (unless notified to the contrary by a Settling Bank by 2:00 p.m. (Boston time) on the Settlement Date) assume that each Settling Bank has made available to the Agent the Settlement Amount with respect to its Revolving Credit Loans, and the Agent may (but shall not be required to), in reliance upon such assumption, make available to the Borrowers the aggregate Settlement Amount. If the Settlement Amount is made available to the Agent (or, conversely, if the Agent makes the Settlement Amount available to a Bank entitled thereto) on a date after the Settlement Date, such Settling Bank shall pay the Agent (or, conversely, the Agent shall pay such Bank entitled to

such Settlement Amount) on demand an amount equal to the product of (i) the average computed for the period referred to in clause (iii) below, of the weighted average annual interest rate paid by the Agent or such Bank, as applicable, for federal funds acquired by the Agent or such Bank, as applicable during each day included in such period times (ii) the Settlement Amount, times (iii) a fraction, the numerator of which is the number of days that elapse from and including such Settlement Date to but not including the date on which the Settlement Amount shall become immediately available to the Agent or such Bank, as applicable, and the denominator of which is 365; upon payment of such amount the Settling Bank shall be deemed to have delivered the Settlement Amount of such Settling Bank on the Settlement Date and shall become entitled to interest payable by the Borrowers with respect to such Bank's Settlement Amount as if such share were delivered on the Settlement Date. If the Settlement Amount is not in fact made available to the Agent by the Settling Bank within three (3) Business Days of such Settlement Date, the Agent shall be entitled to debit the Borrowers' accounts to recover such amount from the Borrowers, with interest thereon at the rate per annum applicable to any Loans made on such Settlement Date.

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(d) The failure or refusal of any of the Banks to make available to the Agent at the aforesaid time on any date the amount of the Loans to be made by such Bank shall not relieve any other Bank from its obligations hereunder to make Settlements and Loans, on such Drawdown Date or on any subsequent Drawdown Date, but in no event shall any Bank or the Agent be responsible for funding or otherwise be liable for the failure of any other Bank to make the Loans to be made by such other Bank.

ss.2.8. Optional Prepayments or Repayments of Loans. The Borrowers shall have the right, at their election, to repay or prepay the outstanding amount of the Revolving Credit Loans, as a whole or in part, at any time without penalty or premium; provided (i) each partial prepayment shall be in the principal amount of \$250,000 or an integral multiple thereof, and (ii) that the full or partial prepayment of the outstanding amount of any Eurodollar Rate Loans pursuant to this ss.2.9 may be made only on the last day of the Interest Period relating thereto. The Borrowers shall give the Agent, no later than 11:00 a.m. (Boston time) (a) at least one (1) Business Day written notice (or telephonic notice confirmed in writing) of such proposed prepayment or repayment, written notice (or telephonic notice confirmed in writing) of any proposed prepayment or repayment pursuant to this ss.2.9 of Base Rate Loans and (b) at least three (3) Eurodollar Business Days written notice (or telephonic notice confirmed in writing) of any proposed prepayment or repayment pursuant to this ss.2.9 of Eurodollar Rate Loans, in each case, specifying the proposed date of prepayment or repayment of Revolving Credit Loans and the principal amount to be paid. Each such partial prepayment shall be applied first to the principal of Base Rate Loans and then to the principal of Eurodollar Rate Loans.

ss.3. LETTERS OF CREDIT.

ss.3.1. Letter of Credit Commitments.

(a) Subject to the terms and conditions hereof and the execution and receipt of a Loan and Letter of Credit Request reflecting the Maximum Drawing Amount of all Letters of Credit (including the requested Letter of Credit) and a Letter of Credit Application, the Agent, on behalf of the Banks and in reliance upon the agreement of the Banks set forth in ss.3.1(b) and upon the representations and warranties of the Borrowers contained herein, agrees to issue standby letters of credit, in such form as may be requested from time to time by the Borrowers and agreed to by the Agent; provided, however, that, after giving effect to such request, (i) the aggregate Maximum Drawing Amount of all letters of credit issued at any time under this ss.3.1(a) (the "Letters of Credit") shall not exceed \$10,000,000 and (ii) the aggregate Maximum Drawing Amount of all Letters of Credit plus the sum of the outstanding amount of the Revolving Credit Loans shall not exceed the Total Commitment; and provided further that no Letter of Credit shall have an expiration date later than the earlier of (i) one year after the date of issuance of the Letter of Credit, or (ii) thirty (30) days prior to the Revolving Credit Maturity Date.

(b) Each Bank severally agrees that it shall be absolutely liable, without regard to the occurrence of any Default or Event of Default or any other condition precedent whatsoever, to the extent of such Bank's

Commitment Percentage thereof, to reimburse the Agent

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on demand for the amount of each draft paid by the Agent under each Letter of Credit to the extent that such amount is not reimbursed by the Borrowers pursuant to ss.3.2 (such agreement for a Bank being called herein the "Letter of Credit Participation" of such Bank). The Agent shall not issue any Letter of Credit unless all of the conditions precedent under ss.11 hereof have been satisfied.

(c) Each such payment made by a Bank shall be treated as the purchase by such Bank of a participating interest in the Borrowers' Reimbursement Obligation under ss.3.2 in an amount equal to such payment. Each Bank shall share in accordance with its participating interest in any interest which accrues pursuant to ss.3.2.

ss.3.2. Reimbursement Obligation of the Borrowers. In order to induce the Agent to issue, extend and renew each Letter of Credit and the Banks to participate therein, the Borrowers hereby agree to reimburse or pay to the Agent with respect to each Letter of Credit issued, extended or renewed by the Agent hereunder as follows:

(a) on each date that any draft presented under any Letter of Credit is honored by the Agent or the Agent otherwise makes payment with respect thereto, (i) the amount paid by the Agent under or with respect to such Letter of Credit, and (ii) the amount of any taxes, fees, charges or other costs and expenses whatsoever incurred by the Agent or any Bank in connection with any payment made by the Agent or any Bank under, or with respect to, such Letter of Credit; and

(b) upon the Revolving Credit Maturity Date or the acceleration of the Reimbursement Obligations with respect to all Letters of Credit in accordance with ss.13, an amount equal to the then Maximum Drawing Amount of all Letters of Credit, which amount shall be held by the Agent for the benefit of the Banks and the Agent as cash collateral for all Reimbursement Obligations.

Each such payment shall be made to the Agent at the Agent's Head Office in immediately available funds. Interest on any and all amounts remaining unpaid by the Borrowers under this ss.3.2 at any time from the date such amounts become due and payable (whether as stated in this ss.3.2, by acceleration or otherwise) until payment in full (whether before or after judgment) shall be payable to the Agent on demand at the rate specified in ss.5.7 for overdue amounts.

ss.3.3. Letter of Credit Payments. If any draft shall be presented or other demand for payment shall be made under any Letter of Credit, the Agent shall notify the Borrowers of the date and amount of the draft presented or demand for payment and of the date and time when it expects to pay such draft or honor such demand for payment. On the date that such draft is paid or other payment is made by the Agent, the Agent shall promptly notify the Banks of the amount of any unpaid Reimbursement Obligation. All such unpaid Reimbursement Obligations with respect to Letters of Credit shall, provided that no Event of Default under ss.13(g) or 13(h) has occurred, become automatically a Revolving Credit Loan. No later than 3:00 p.m. (Boston time) on the Business Day next following the receipt of such notice, each Bank shall make available to the Agent, at the Agent's Head Office, in immediately available funds, such Bank's Commitment

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Percentage of such unpaid Reimbursement Obligation, together with an amount equal to the product of (a) the average, computed for the period referred to in clause (c) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period, times (b) the amount equal to such Bank's Commitment Percentage of such unpaid Reimbursement Obligation, times (c) a fraction, the numerator of which is the number of days that have elapsed from and including the date the Agent paid the draft presented for honor or otherwise made payment until the date on which such Bank's Commitment Percentage of such unpaid Reimbursement Obligation shall become immediately available to the Agent, and the denominator of which is 365.

The responsibility of the Agent to the Borrowers and the Banks shall be only to determine that the documents (including each draft) delivered under each Letter of Credit in connection with such presentment shall be in conformity in all material respects with such Letter of Credit.

ss.3.4. Obligations Absolute. The Borrowers' obligations under this ss.3 shall be absolute and unconditional under any and all circumstances and irrespective of the occurrence of any Default or Event of Default or any condition precedent whatsoever or any setoff, counterclaim or defense to payment which the Borrowers may have or have had against the Agent, any Bank or any beneficiary of a Letter of Credit. Subject to the obligations of the Banks pursuant to Article V of the Uniform Commercial Code, the Borrowers further agree with the Agent and the Banks that the Agent and the Banks shall not be responsible for, and the Borrowers' Reimbursement Obligations under ss.3.2 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrowers, the beneficiary of any Letter of Credit or any financing institution or other party to which any Letter of Credit may be transferred or any claims or defenses whatsoever of the Borrowers against the beneficiary of any Letter of Credit or any such transferee. The Agent and the Banks shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit. The Borrowers agree that any action taken or omitted by the Agent or any Bank under or in connection with each Letter of Credit and the related drafts and documents, if done in good faith, shall be binding upon the Borrowers and shall not result in any liability on the part of the Agent or any Bank to the Borrowers.

ss.3.5. Reliance by Agent. To the extent not inconsistent with ss.3.4, the Agent shall be entitled to rely, and shall be fully protected in relying upon, any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent.

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ss.4. THE TERM LOAN FACILITIES.

ss.4A. Series A Term Loan.

ss.4A.1. Commitment to Lend.

Subject to the terms and conditions set forth herein and subject to ss.27 hereof, each Bank agrees to lend to the Borrowers on the Closing Date, a term loan in the amount of its Series A Term Loan Percentage of the principal amount of \$10,000,000, the proceeds of which shall be used for acquisitions, debt refinancings and general corporate purposes (the "Series A Term Loan").

ss.4A.2. The Series A Term Notes. Series A Term Loan shall be evidenced by separate promissory notes of the Borrowers in substantially the form of Exhibit F hereto (each a "Series A Term Note"), dated as of the Closing Date and completed with appropriate insertions. One Series A Term Note shall be payable to the order of each Bank in a principal amount equal to such Bank's Series A Term Loan Percentage of Series A Term Loan and representing the obligation of the Borrowers to pay to such Bank such principal amount or, if less, the outstanding amount of such Bank's Series A Term Loan Percentage of Series A Term Loan, plus interest accrued thereon, as set forth below. The Borrowers irrevocably authorize each Bank to make or cause to be made a notation on such Bank's records reflecting the original principal amount of such Bank's Series A Term Loan Percentage of Series A Term Loan and, at or about the time of such Bank's receipt of any principal payment on such Bank's Series A Term Note, an appropriate notation on such Bank's records reflecting such payment. The aggregate unpaid amount set forth on such Bank's records shall be prima facie evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount shall not limit or otherwise affect the obligations of the Borrowers hereunder or under any Series A Term Note to make payments of principal of and interest on any Series A Term Note when due.

ss.4A.3. Scheduled Repayments of Series A Term Loan. The Borrowers promise to pay to the Agent for the account of the Banks the principal amount of Series A Term Loan plus interest thereon as set forth in ss.5.1 hereof, in equal consecutive quarterly installments, such installments to be due and payable on January 31, April 30, July 31 and October 31, commencing October 31, 1997 with a final payment on the Series A Term Loan Maturity Date in an amount equal to the unpaid balance of Series A Term Loan.

ss.4A.4. Optional Prepayment of Series A Term Loan. The Borrowers shall have the right at any time to prepay the Series A Term Notes on or before the Series A Term Loan Maturity Date, as a whole, or in part, upon not less than five (5) Business Days prior written notice to the Agent, without premium or penalty, provided that (i) each partial prepayment shall be in the principal amount of \$250,000 or an integral multiple thereof, (ii) the full or partial prepayment of the outstanding amount of any Eurodollar Rate Loan pursuant to this ss.4A.4 may be made only on the last day of the Interest Period relating thereto, and (iii) each partial prepayment shall be allocated among the Banks, in proportion to the respective outstanding amount of each Bank's Series A Term Note. Any optional prepayment of principal of Series A

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Term Loan (I) pursuant to this ss.4A.4 shall include all interest accrued to the date of prepayment and shall be applied against the scheduled installments of principal due on Series A Term Loan in the inverse order of maturity. No amount repaid with respect to Series A Term Loan may be reborrowed.

ss.4B. Series B Term Loan.

ss.4B.1. Commitment to Lend. Subject to the terms and conditions set forth herein, each Series B Term Loan Bank agrees to lend to the Borrowers on the Closing Date, a term loan in the amount of its Series B Term Loan Percentage of the principal amount of \$15,000,000, the proceeds of which shall be used for acquisitions, debt refinancings and general corporate purposes (the "Series B Term Loan").

ss.4B.2. The Series B Term Notes. Series B Term Loan shall be evidenced by separate promissory notes of the Borrowers in substantially the form of Exhibit F hereto (each a "Series B Term Note"), dated as of the Closing Date and completed with appropriate insertions. One Series B Term Note shall be payable to the order of each Series B Term Loan Bank in a principal amount equal to such Bank's Series B Term Loan Percentage of Series B Term Loan and representing the obligation of the Borrowers to pay to such Bank such principal amount or, if less, the outstanding amount of such Bank's Series B Term Loan Percentage of Series B Term Loan, plus interest accrued thereon, as set forth below. The Borrowers irrevocably authorize each Series B Term Loan Bank to make or cause to be made a notation on such Bank's records reflecting the original principal amount of such Bank's Series B Term Loan Percentage of Series B Term Loan and, at or about the time of such Bank's receipt of any principal payment on such Bank's Series B Term Note, an appropriate notation on such Bank's records reflecting such payment. The aggregate unpaid amount set forth on such Series B Term Loan Bank's records shall be prima facie evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount shall not limit or otherwise affect the obligations of the Borrowers hereunder or under any Series B Term Note to make payments of principal of and interest on any Series B Term Note when due.

ss.4B.3. Scheduled Repayments of Series B Term Loan. The Borrowers promise to pay to the Agent for the account of the Series B Term Loan Banks the principal amount of the Series B Term Loan plus interest thereon as set forth in ss.5.1 hereof in (i) four (4) consecutive annual installments of \$250,000 each, such installments to be due and payable on July 31, 1999 through July 31, 2002 and (ii) thereafter the then remaining balance to be paid in equal consecutive quarterly installments amortized over the remaining term of the Series B Term Loan, such installments to be due and payable on the last day of each calendar quarter commencing on October 31, 2002, with a final payment on the Series B Term Loan Maturity Date in an amount equal to the unpaid balance of Series B Term Loan.

ss.4B.4. Optional Prepayment of Series B Term Loan. The Borrowers shall have the right at any time to prepay the Series B Term Notes on or before the Series B Term Loan Maturity Date, as a whole, or in part, upon not less than

five (5) Business Days prior written notice to the Agent, provided that (i) each partial prepayment shall be in the principal amount of

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\$250,000 or an integral multiple thereof, (ii) the full or partial prepayment of the outstanding amount of any Eurodollar Rate Loan pursuant to this ss.4B.4 may be made only on the last day of the Interest Period relating thereto, (iii) each partial prepayment shall be allocated among the Banks, in proportion to the respective outstanding amount of each Bank's Series B Term Note and (iv) if the Borrowers prepay the Series B Term Loan, in whole or in part, on or before the date which is one year from the Closing Date, the Borrowers shall pay a premium with respect to each such prepayment in an amount equal to 0.50% of the amount prepaid. Any optional prepayment of principal of Series B Term Loan pursuant to this ss.4B.4 shall include all interest accrued to the date of prepayment and shall be applied against the scheduled installments of principal due on Series B Term Loan in the inverse order of maturity. No amount repaid with respect to Series B Term Loan may be reborrowed.

ss.5. INTEREST, FEES, PAYMENTS, AND COMPUTATIONS; JOINT AND SEVERAL LIABILITY.

ss.5.1. Interest. Except as otherwise provided in ss.5.7, the outstanding principal amount of the Loans shall bear interest at the rate per annum equal to the Applicable Rate. Interest shall be payable (a) quarterly in arrears on the last Business Day of each calendar quarter for the quarter ending on such date, for Base Rate Loans, (b) on the earlier of (i) the last day of the applicable Interest Period or (ii) ninety (90) days after the Drawdown Date, on Eurodollar Rate Loans, and (c) on the Revolving Credit Maturity Date, Series A Term Loan Maturity Date or Series B Term Loan Maturity Date, as applicable. Any change in the interest rate resulting from a change in the Base Rate is to be effective at the beginning of the day of such change in the Base Rate.

ss.5.2. Fees.

(a) Commitment Fee. The Borrowers agree to pay to Agent for the benefit of the Banks a commitment fee in an amount equal to the Commitment Fee Percentage of the unused portion of the Total Commitment during each calendar quarter or portion thereof from the Closing Date to the Revolving Credit Maturity Date (or to the date of termination in full of the Total Commitment, if earlier). This commitment fee shall be payable quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter, with a final payment on the Revolving Credit Maturity Date. The Agent agrees to pay to the Banks the commitment fee received under this ss.5.2(a) pro-rata in accordance with their respective Commitment Percentages.

(b) Letter of Credit Fee. The Borrowers shall pay a fee (the "Letter of Credit Fee") to the Agent equal to (i) the product of (A) two percent (2%) multiplied by (B) the Maximum Drawing Amount of each Letter of Credit, plus (ii) the Agent's customary issuance fee, payable in accordance with the Agent's customary practice. That portion of the Letter of Credit Fee equal to one eighth of one percent (1/8%) of the Maximum Drawing Amount of each Letter of Credit shall be paid solely to the Agent, and the balance (other than the issuance fee) shall be shared pro-rata by each of the Banks in accordance with their respective Commitment Percentages. The Letter of Credit Fee shall be payable quarterly in arrears on the first day of

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each calendar quarter for the immediately preceding calendar quarter, with a final payment on the expiration date of each Letter of Credit.

(c) The Borrowers shall pay to the Agent an agent's fee and an underwriting fee as set forth in a separate letter agreement between the Borrowers and the Agent.

ss.5.3. Payments.

(a) All payments of principal, interest, Reimbursement Obligations, fees and any other amounts due hereunder or under any of the other Loan Documents shall be made to the Agent, for the respective accounts of the

Banks and the Agent, received at the Agent's Head Office in immediately available funds by 12:00 p.m. (Boston time) on any due date.

(b) All payments by the Borrowers hereunder and under any of the other Loan Documents shall be made without setoff or counterclaim and free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions, withholdings, compulsory loans, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein unless the Borrowers are compelled by law to make such deduction or withholding. If any such obligation is imposed upon the Borrowers with respect to any amount payable by them hereunder or under any of the other Loan Documents, the Borrowers will pay to the Agent, for the account of the Banks or (as the case may be) the Agent, on the date on which such amount is due and payable hereunder or under such other Loan Document, such additional amount in Dollars as shall be necessary to enable the Banks or the Agent to receive the same net amount which the Banks or the Agent would have received on such due date had no such obligation been imposed upon the Borrowers. In the event that the Borrowers are required to make such deduction or withholding as a result of the fact that a Bank is organized outside of the United States, such Bank shall use its reasonable best efforts to transfer its Loans to an affiliate organized within the United States if such transfer would have no adverse effect on such Bank or the Loans. The Borrowers will deliver promptly to the Bank certificates or other valid vouchers for all taxes or other charges deducted from or paid with respect to payments made by the Borrowers hereunder or under such other Loan Document.

ss.5.4. Computations. All computations of interest on the Loans and of Letter of Credit Fees or other fees shall, unless otherwise expressly provided herein, be based on a 360-day year and paid for the actual number of days elapsed. Except as otherwise provided in the definition of the term "Interest Period" with respect to Eurodollar Rate Loans, whenever a payment hereunder or under any of the other Loan Documents becomes due on a day that is not a Business Day, the due date for such payment shall be extended to the next succeeding Business Day, and interest shall accrue during such extension.

ss.5.5. Capital Adequacy. If any present or future law, governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) or the interpretation thereof by a court or governmental authority with appropriate jurisdiction affects the amount of capital required or expected to be maintained by any Bank or the Agent or any corporation

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controlling such Bank or the Agent and such Bank or the Agent determines that the amount of capital required to be maintained by it is increased by or based upon the existence of such Bank's or the Agent's Loans, Letter of Credit Participations or Letters of Credit, or commitment with respect thereto, then such Bank or the Agent may notify the Borrowers of such fact. To the extent that the costs of such increased capital requirements are not reflected in the Base Rate (if relating to Base Rate Loans), the Borrowers and such Bank or (as the case may be) the Agent shall thereafter attempt to negotiate in good faith, within thirty (30) days of the day on which the Borrowers receive such notice, an adjustment payable hereunder that will adequately compensate such Bank or the Agent in light of these circumstances. If the Borrowers and such Bank or the Agent are unable to agree to such adjustment within thirty (30) days of the date on which the Borrowers receive such notice, then commencing on the date of such notice (but not earlier than the effective date of any such increased capital requirement), the fees payable hereunder shall increase by an amount that will, in such Bank's or the Agent's reasonable determination, provide adequate compensation. Each Bank and the Agent shall allocate such cost increases among its customers in good faith and on an equitable basis.

ss.5.6. Certificate. A certificate setting forth any additional amounts payable pursuant to ss.5.5 and a reasonable explanation of such amounts which are due, submitted by any Bank or the Agent to the Borrowers, shall be conclusive, absent manifest error, that such amounts are due and owing.

ss.5.7. Interest on Overdue Amounts. Overdue principal and (to the extent permitted by applicable law) interest on the Loans and all other overdue amounts payable hereunder or under any of the other Loan Documents shall bear interest compounded monthly and payable on demand at a rate per annum equal to the Base Rate plus 4% until such amount shall be paid in full (after as well as before judgment).

ss.5.8. Interest Limitation. Notwithstanding any other term of this Agreement or any Note or any other document referred to herein or therein, the maximum amount of interest which may be charged to or collected from any person liable hereunder or under any Note by any Bank shall be absolutely limited to, and shall in no event exceed, the maximum amount of interest which could lawfully be charged or collected under applicable law (including, to the extent applicable, the provisions of Section 5197 of the Revised Statutes of the United States of America, as amended, 12 U.S.C. Section 85, as amended), so that the maximum of all amounts constituting interest under applicable law, howsoever computed, shall never exceed as to any person liable therefor such lawful maximum, and any term of this Agreement, the Notes, the Letter of Credit Applications, or any other document referred to herein or therein which could be construed as providing for interest in excess of such lawful maximum shall be and hereby is made expressly subject to and modified by the provisions of this paragraph.

ss.5.9. Additional Costs, Etc. If any present or future applicable law, which expression, as used herein, includes statutes, rules and regulations thereunder and interpretations thereof by any competent court or by any governmental or other regulatory body or official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time hereafter made upon or otherwise issued to any Bank by any

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central bank or other fiscal, monetary or other authority (whether or not having the force of law), shall impose on any Bank any tax, levy, impost, duty, charge fees, deduction or withholdings of any nature or requirements with respect to this Agreement, the other Loan Documents, the Loans, such Bank's Commitment, the Letters of Credit or any class of loans or commitments or letters of credit of which any of the Loans, the Commitment or the Letters of Credit forms a part, and the result of any of the foregoing is:

(i) to increase the cost to such Bank of making, funding, issuing, renewing, extending or maintaining the Loans, such Bank's Commitment, or the Letters of Credit; or

(ii) to reduce the amount of principal, interest or other amount payable to such Bank hereunder on account of such Bank's Commitment, the Loans, drawings under the Letters of Credit, or

(iii) to require such Bank to make any payment or to forego any interest or other sum payable hereunder, the amount of which payment or foregone interest or other sum is calculated by reference to the gross amount of any sum receivable or deemed received by such Bank from the Borrowers hereunder,

then, and in each such case, the Borrowers will, upon demand made by such Bank at any time and from time to time and as often as the occasion therefor may arise, pay to such Bank such additional amounts as will be sufficient to compensate such Bank for such additional cost, reduction, payment or foregone interest or other sum (after such Bank shall have allocated the same fairly and equitably among all customers of any class generally affected thereby).

ss.5.10. Concerning Joint and Several Liability of the Borrowers.

(a) Each of the Borrowers is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Banks under this Agreement, for the mutual benefit, directly and indirectly, of each of the Borrowers and in consideration of the undertakings of each other Borrower to accept joint and several liability for the Obligations.

(b) Each of the Borrowers, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Borrowers, with respect to the payment and performance of all of the Obligations (including, without limitation, any Obligations arising under this ss.5.10), it being the intention of the parties hereto that all the Obligations shall be the joint and several Obligations of each of the Borrowers without preferences or distinction among them.

(c) If and to the extent that any of the Borrowers shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the

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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 ss.5.10 constitute full recourse Obligations of each of the Borrowers enforceable against each such corporation to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or any other circumstance whatsoever.

(e) Except as otherwise expressly provided in this Agreement, each of the Borrowers hereby waives notice of acceptance of its joint and several liability, notice of any Loans made under this Agreement, notice of any action at any time taken or omitted by the Banks under or in respect of any of the Obligations, and, generally, to the extent permitted by applicable law, all demands, notices and other formalities of every kind in connection with this Agreement. Each of the Borrowers hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Obligations, the acceptance of any payment of any of the Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Banks at any time or times in respect of any default by any of the Borrowers in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever by the Banks in respect of any of the Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Obligations or the addition, substitution or release, in whole or in part, of any of the Borrowers. Without limiting the generality of the foregoing, each of the Borrowers assents to any other action or delay in acting or failure to act on the part of the Banks with respect to the failure by any of the Borrowers to comply with any of its respective Obligations, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this ss.5.10, afford grounds for terminating, discharging or relieving any of the Borrowers, in whole or in part, from any of its Obligations under this ss.5.10, it being the intention of each of the Borrowers that, so long as any of the Obligations hereunder remain unsatisfied, the Obligations of such Borrowers under this ss.5.10 shall not be discharged except by performance and then only to the extent of such performance. The Obligations of each of the Borrowers under this ss.5.10 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, re-construction or similar proceeding with respect to any of the Borrowers or the Banks. The joint and several liability of the Borrowers hereunder shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, membership, constitution or place of formation of any of the Borrowers or the Banks.

(f) The provisions of this ss.5.10 are made for the benefit of the Banks and their successors and assigns, and may be enforced in good faith against them from time to time against any or all of the Borrowers as often as occasion therefor may arise and

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without requirement on the part of the Banks first to marshal any of their claims or to exercise any of their rights against any other Borrower or to exhaust any remedies available to them against any other Borrower or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The

provisions of this ss.5.10 shall remain in effect until all of the Obligations shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by the Banks upon the insolvency, bankruptcy or reorganization of any of the Borrowers, or otherwise, the provisions of this ss.5.10 will forthwith be reinstated in effect, as though such payment had not been made.

ss.5.11. New Borrowers. Any newly-created or newly-acquired Subsidiaries shall become Borrowers hereunder by signing Notes, entering into an amendment to this Agreement with the other parties hereto providing that such Subsidiary shall become a Borrower hereunder, and providing such other documentation as the Banks or the Agent may reasonably request including, without limitation, documentation with respect to conditions noted in ss.10 hereof. In such event, the Agent is hereby authorized by the parties to amend Schedule 1 hereto to include such Subsidiary as a Borrower hereunder.

ss.5.12. Election of Eurodollar Rate; Notice of Election; Interest Periods; Minimum Amounts. (a) At the Borrowers' option, so long as no Default or Event of Default has occurred and is then continuing, the Borrowers may (i) elect to convert any Base Rate Loan or a portion thereof to a Eurodollar Rate Loan, (ii) at the time of any Loan and Letter of Credit Request, specify that such requested Revolving Credit Loan shall be a Eurodollar Rate Loan, or (iii) upon expiration of the applicable Interest Period, elect to maintain an existing Eurodollar Rate Loan as such, provided that the Borrowers gives notice to the Agent pursuant to ss.5.12(b) hereof. Upon determining any Eurodollar Rate, the Agent shall forthwith provide notice thereof to the Borrowers and each Bank, and each such notice to the Borrowers shall be considered prima facie correct and binding, absent manifest error.

(b) Three (3) Eurodollar Business Days prior to the making of any Eurodollar Rate Loan or the conversion of any Base Rate Loan to a Eurodollar Rate Loan, or, in the case of an outstanding Eurodollar Rate Loan, the expiration date of the applicable Interest Period, the Borrowers shall give written, telex or telecopy notice received by the Agent not later than 11:00 a.m. (Boston time) of its election pursuant to ss.5.12(a). Each such notice delivered to the Agent shall specify the aggregate principal amount of the Loans to be borrowed or maintained as or converted to Eurodollar Rate Loans and the requested duration of the Interest Period that will be applicable to such Eurodollar Rate Loan, and shall be irrevocable and binding upon the Borrower. If the Borrowers shall fail to give the Agent notice of its election hereunder together with all of the other information required by this ss.5.12(b) with respect to any Loan, whether at the end of an Interest Period or otherwise, such Loan shall be deemed a Base Rate Loan, and, if such Loan is an existing Eurodollar Rate Loan, shall be automatically converted to a Base Rate Loan on the last day of the Interest Period relating thereto. No Eurodollar Rate Loan may be continued as such when any Default or Event of Default has occurred and is continuing, but shall be automatically converted to a Base Rate Loan on the last day of the Interest Period relating

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thereto. The Agent shall promptly notify each Bank in writing (or by telephone confirmed in writing or by telecopy) of such election by the Borrower hereunder.

(c) Notwithstanding anything herein to the contrary, the Borrowers may not specify an Interest Period that would extend beyond the maturity date of any Loan.

(d) All Eurodollar Rate Loans shall be in a minimum amount of not less than \$1,000,000. In no event shall the Borrowers have more than five (5) different maturities of borrowings of Eurodollar Rate Loans outstanding at any time.

ss.5.13. Eurodollar Indemnity. The Borrowers agree to indemnify the Banks and the Agent and to hold them harmless from and against any reasonable loss, cost or expense that the Banks and the Agent may sustain or incur as a consequence of (a) default by the Borrowers in payment of the principal amount of or any interest on any Eurodollar Rate Loans as and when due and payable, including any such loss or expense arising from interest or fees payable by any Bank or the Agent to lenders of funds obtained by it in order to maintain its Eurodollar Rate Loans, (b) default by the Borrowers in making a borrowing or

conversion after the Borrowers have given (or are deemed to have given) notice pursuant to ss.2.6 or ss.5.12, and (c) the making of any payment of a Eurodollar Rate Loan or the making of any conversion of any such Eurodollar Rate Loan to a Base Rate Loan on a day that is not the last day of the applicable Interest Period with respect thereto, including interest or fees payable by such Bank to lenders of funds obtained by it in order to maintain any such Loans.

ss.5.14. Illegality; Inability to Determine Eurodollar Rate.

Notwithstanding any other provision of this Agreement (other than ss.5.8) if, (a) the introduction of, any change in, or any change in the interpretation of, any law, regulation, treaty or directive applicable to any Bank or the Agent shall make it unlawful, or any central bank or other governmental authority having jurisdiction thereof shall assert that it is unlawful, for any Bank or the Agent to perform its obligations in respect of any Eurodollar Rate Loans, or (b) if the Agent shall reasonably determine or be notified by the Required Banks that (i) by reason of circumstances affecting any Eurodollar interbank market, adequate and reasonable methods do not exist for ascertaining the Eurodollar Rate which would otherwise be applicable during any Interest Period, or (ii) deposits of Dollars in the relevant amount for the relevant Interest Period are not available in any Eurodollar interbank market, or (iii) the Eurodollar Rate does not or will not accurately reflect the cost of obtaining or maintaining the applicable Eurodollar Rate Loans during any Interest Period, then the Agent shall promptly give telephonic, telex or cable notice of such determination to the Borrowers and the Banks (which notice shall be conclusive and binding upon the Borrower and the Banks). Upon such notification by the Agent, the obligation of the Banks and the Agent to make Eurodollar Rate Loans or convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until the Agent or the Required Banks, as the case may be, determine that such circumstances no longer exist, and to the extent permitted by law the outstanding Eurodollar Rate Loans shall continue to bear interest at the applicable rate based on the Eurodollar Rate until the end of the applicable Interest Period, and shall be automatically converted to Base Rate Loans in equal principal amounts on the last day of each Interest Period applicable to such Eurodollar Rate Loans, or within such earlier period as may be required by applicable law.

ss.6. REPRESENTATIONS AND WARRANTIES. The Borrowers jointly and severally represent and warrant to the Banks that on and as of the date of this Agreement (any disclosure on a schedule pursuant to this ss.6 shall be deemed to apply to all relevant representations and warranties, regardless of whether such schedule is referenced in each relevant representation):

ss.6.1. Corporate Authority.

(a) Incorporation; Good Standing. Each of the Borrowers (i) is a corporation duly organized, validly existing and in good standing or in current status under the laws of its respective state of incorporation, (ii) has all requisite corporate power to own its property and conduct its business as now conducted and as presently contemplated, and (iii) is in good standing as a foreign corporation and is duly authorized to do business in each jurisdiction in which its property or business as presently conducted or contemplated makes such qualification necessary except where a failure to be so qualified would not have a material adverse effect on the business, assets or financial condition of such Borrower.

(b) Authorization. The execution, delivery and performance of its Loan Documents and the transactions contemplated hereby and thereby (i) are within the corporate authority of each of the Borrowers, (ii) have been duly authorized by all necessary corporate proceedings, (iii) do not conflict with or result in any material breach or contravention of any provision of law, statute, rule or regulation to which any of the Borrowers is subject or any judgment, order, writ, injunction, license or permit applicable to any of the Borrowers so as to materially adversely affect the assets, business or any activity of the Borrowers, and (iv) do not conflict with any provision of the corporate charter or bylaws of the Borrowers or any agreement or other instrument binding upon the Borrowers.

(c) Enforceability. The execution, delivery and performance of the Loan Documents will result in valid and legally binding obligations

of the Borrowers enforceable against each in accordance with the respective terms and provisions hereof and thereof, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that availability of the remedy of specific performance or injunctive relief or other equitable remedy is subject to the discretion of the court before which any proceeding therefor may be brought.

ss.6.2. Governmental Approvals. The execution, delivery and performance by the Borrowers of the Loan Documents and the transactions contemplated hereby and thereby do not require any approval or consent of, or filing with, any governmental agency or authority other than those already obtained.

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ss.6.3. Title to Properties; Leases. The Borrowers own all of the assets reflected in the consolidated balance sheets as at the Balance Sheet Date or acquired since that date (except property and assets sold or otherwise disposed of in the ordinary course of business since that date), subject to no mortgages, capitalized leases, conditional sales agreements, title retention agreements, liens or other encumbrances except Permitted Liens. Schedule 6.3 sets forth a list of all of the Real Property of the Borrowers.

ss.6.4. Financial Statements; Solvency.

(a) There has been furnished to the Banks (i) consolidated balance sheets of the Borrowers dated the Balance Sheet Date and consolidated statements of operations for the fiscal year then ended, Certified by Arthur Andersen & Co. or an independent accounting firm of national standing acceptable to the Banks (the "Accountants") and (ii) unaudited consolidated balance sheets of the Borrowers dated January 31, 1997 and unaudited consolidated statements of operations for the nine (9) month period then ended. Said balance sheets and statements of operations have been prepared in accordance with GAAP, fairly present in all material respects the financial condition of the Borrowers, on a consolidated basis, as at the close of business on the date thereof and the results of operations for the period then ended. There are no contingent liabilities of the Borrowers as of such date involving material amounts, known to the officers of the Borrowers which have not been disclosed in said balance sheets and the related notes thereto, as the case may be.

(b) The Borrowers (both before and after giving effect to the transactions contemplated by this Agreement) are solvent (i.e., they have assets having a fair value in excess of the amount required to pay their probable liabilities on their existing debts as they become absolute and matured) and have, and expect to have, the ability to pay their debts from time to time incurred in connection therewith as such debts mature.

ss.6.5. No Material Changes, Etc. Since the Balance Sheet Date, there have occurred no material adverse changes in the financial condition or business of the Borrowers as shown on or reflected in the consolidated balance sheet of the Borrowers as at the Balance Sheet Date, or the consolidated statement of income for the fiscal year then ended other than changes in the ordinary course of business which have not had any material adverse effect either individually or in the aggregate on the business or financial condition of the Parent, the Borrowers. Since the Balance Sheet Date, there has not been any Distribution.

ss.6.6. Permits, Franchises, Patents, Copyrights, Etc. Each of the Borrowers possesses all franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business substantially as now conducted without known conflict with any rights of others.

ss.6.7. Litigation. Except as shown on Schedules 6.7 and 6.16 hereto, there are no actions, suits, proceedings or investigations of any kind pending or, to the knowledge of the Borrowers, threatened against any Borrower before any court, tribunal or administrative agency

or board which, if adversely determined, might, either in any case or in the aggregate, materially adversely affect the properties, assets, financial condition or business of the Borrowers, considered as a whole, or materially impair the right of the Borrowers, considered as a whole, to carry on business substantially as now conducted, or result in any substantial liability not adequately covered by insurance, or for which adequate reserves are not maintained on the consolidated balance sheet or which question the validity of any of the Loan Documents, or any action taken or to be taken pursuant hereto or thereto.

ss.6.8. No Materially Adverse Contracts, Etc. None of the Borrowers is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Borrowers' officers has or is expected in the future to have a materially adverse effect on the business, assets or financial condition of the Borrowers as a whole. None of the Borrowers is a party to any contract or agreement which in the judgment of the Borrowers' officers has or is expected to have any materially adverse effect on the business of the Borrowers as a whole, except as otherwise reflected in adequate reserves.

ss.6.9. Compliance With Other Instruments, Laws, Etc. None of the Borrowers is violating any provision of its charter documents or by-laws or any agreement or instrument by which any of them may be subject or by which any of them or any of their properties may be bound or any decree, order, judgment, or any statute, license, rule or regulation, in a manner which could result in the imposition of substantial penalties or materially and adversely affect the financial condition, properties or business of any of the Borrowers.

ss.6.10. Tax Status. The Borrowers have made or filed all federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which any of them are subject (unless and only to the extent that any Borrower has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes); and have paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith; and have set aside on their books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Borrowers know of no basis for any such claim.

ss.6.11. No Event of Default. Except as set forth on Schedule 6.11 hereto, no Default or Event of Default has occurred and is continuing as of the date of this Agreement.

ss.6.12. Holding Company and Investment Company Acts. None of the Borrowers is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935; nor is any of them a "registered investment company", or an "affiliated company" or a "principal underwriter" of a "registered investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

ss.6.13. Absence of Financing Statements, Etc. Except as contemplated by ss.8.2 of this Agreement and as set forth on Schedule 6.13 hereto, there is no financing statement, security agreement, chattel mortgage, real estate mortgage or other document filed or recorded with any filing records, registry, or other public office, which purports to cover, affect or give notice of any present or possible future lien on, or security interest in, any assets or property of any of the Borrowers or rights thereunder.

ss.6.14. Employee Benefit Plans.

(a) In General. Each Employee Benefit Plan has been maintained and operated in compliance in all material respects with the provisions of ERISA and, to the extent applicable, the Code, including but not

limited to the provisions thereunder respecting prohibited transactions.

(b) Terminability of Welfare Plans. Under each Employee Benefit Plan which is an employee welfare benefit plan within the meaning of ss.3(1) or ss.3(2)(B) of ERISA, no benefits are due unless the event giving rise to the benefit entitlement occurs prior to plan termination (except as required by Title I, part 6 of ERISA.) Each Borrower or ERISA Affiliate, as appropriate, may terminate each such Plan at any time (or at any time subsequent to the expiration of any applicable bargaining agreement) in the discretion of such Borrower or ERISA Affiliate without liability to any Person.

(c) Guaranteed Pension Plans. None of the Borrowers is a sponsor of, or contributor to, a Guaranteed Pension Plan.

(d) Multiemployer Plans. No Borrower, nor any ERISA Affiliate has incurred any material liability (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under ss.4201 of ERISA or as a result of a sale of assets described in ss.4204 of ERISA. No Borrower, nor any ERISA Affiliate has been notified that any Multiemployer Plan is in reorganization or is insolvent under and within the meaning of ss.4241 or ss.4245 of ERISA or that any Multiemployer Plan intends to terminate or has been terminated under ss.4041A of ERISA.

ss.6.15. Use of Proceeds. The proceeds of the Loans shall be used as follows: (a) the Term Loan shall have been used for the purposes set forth in ss.4A.1 and ss.4B.1 of the Prior Credit Agreement; and (b) the Revolving Credit Loans shall be used solely for working capital and other general corporate purposes, Letters of Credit, to refinance other indebtedness of the Borrowers, and to fund acquisitions permitted pursuant to ss.8.4 hereof. No proceeds of the Loans shall be used in any way that will violate Regulations G, T, U or X of the Board of Governors of the Federal Reserve System.

ss.6.16. Environmental Compliance. The Borrowers have taken all necessary steps to investigate the past and present condition and usage of the Real Properties and the operations conducted thereon and, based upon such diligent investigation, have determined that, except as shown on Schedule 6.16:

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(a) None of the Borrowers, nor any operator of their properties, is in violation, or alleged violation, of any judgment, decree, order, law, permit, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, or any state or local statute, regulation, ordinance, order or decree relating to health, safety or the environment (the "Environmental Laws"), which violation would have a material adverse effect on the business, assets or financial condition of the Borrowers on a consolidated basis.

(b) None of the Borrowers has received notice from any third party including, without limitation: any federal, state or local governmental authority, (i) that any one of them has been identified by the United States Environmental Protection Agency ("EPA") as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B; (ii) that any hazardous waste, as defined by 42 U.S.C. ss.6903(5), any hazardous substances as defined by 42 U.S.C. ss.9601(14), any pollutant or contaminant as defined by 42 U.S.C. ss.9601(33) and any toxic substance, oil or hazardous materials or other chemicals or substances regulated by any Environmental Laws ("Hazardous Substances") which any one of them has generated, transported or disposed of has been found at any site at which a federal, state or local agency or other third party has conducted or has ordered that any Borrower conduct a remedial investigation, removal or other response action pursuant to any Environmental Law; or (iii) that it is or shall be a named party to any

claim, action, cause of action, complaint, legal or administrative proceeding arising out of any third party's incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with the release of Hazardous Substances.

(c) (i) No portion of the Real Property has been used for the handling, processing, storage or disposal of Hazardous Substances except in material compliance with applicable Environmental Laws; and no underground tank or other underground storage receptacle for Hazardous Substances is located on such properties; (ii) in the course of any activities conducted by the Borrowers, or operators of the Real Property, no Hazardous Substances have been generated or are being used on such properties except in material compliance with applicable Environmental Laws; (iii) there have been no unpermitted Releases or threatened Releases of Hazardous Substances on, upon, into or from the Real Property, which Releases would have a material adverse effect on the value of such properties; (iv) to the best of the Borrowers' knowledge, there have been no Releases on, upon, from or into any real property in the vicinity of the Real Property which, through soil or groundwater contamination, may have come to be located on, and which would have a material adverse effect on the value of, such properties; and (v) in addition, any Hazardous Substances that have been generated on the Real Property have been transported offsite only by carriers having an identification number issued by the

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EPA, treated or disposed of only by treatment or disposal facilities maintaining valid permits as required under applicable Environmental Laws, which transporters and facilities, to the best of the Borrowers' knowledge, have been and are operating in material compliance with such permits and applicable Environmental Laws.

(d) none of the Real Property is or shall be subject to any applicable environmental clean-up responsibility law or environmental restrictive transfer law or regulation, by virtue of the transactions set forth herein and contemplated hereby.

ss.6.17. Perfection of Security Interests. All filings, assignments, pledges and deposits of documents or instruments have been made and all other actions have been taken that are necessary under applicable law, or reasonably requested by the Agent or any of the Banks, to establish and perfect the Agent's security interests in the Collateral as described in the Security Documents (including the notation of the Agent's security interests in motor vehicles on the certificates of title relating to such vehicles). The Collateral and the Agent's rights with respect to the Collateral are not subject to any setoff, claims, withholdings or other defenses, except for Permitted Liens. The Borrowers are the owners of the Collateral free from any lien, security interest, encumbrance and any other claim or demand, except for Permitted Liens.

ss.6.18. Certain Transactions. Except as set forth on Schedule 6.18 and except for arm's length transactions pursuant to which the Borrowers make payments in the ordinary course of business upon terms no less favorable than the Borrowers could obtain from third parties, none of the officers, directors, or employees of the Borrowers are presently a party to any transaction with the Borrowers (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Borrowers, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

ss.6.19. Subsidiaries. Schedule 6.19 sets forth a complete and accurate list of the Subsidiaries, including the name of each Subsidiary and its jurisdiction of incorporation, together with the number of authorized and outstanding shares of each Subsidiary. Each Subsidiary is directly or indirectly wholly owned by the Parent. The Parent has good and marketable title to all of the shares it purports to own of the stock of each Subsidiary, free and clear in each case of any lien. All such shares have been duly issued and are fully paid and non-assessable.

ss.6.20. Capitalization.

(a) Capital Stock. As of the Closing Date, the authorized capital stock of the Parent consists of (i) 7,000,000 shares of Class A Common stock (par value \$.01 per share) of which 2,874,445 shares are outstanding, (ii) 1,000,000 shares of Class B Common Stock (par value \$.01 per share) of which 1,000,000 shares are outstanding, (iii) 516,620 shares of Series A Redeemable Preferred Stock (par value \$.01 per share) of which 516,620 shares are outstanding, (iv) 1,294,579 shares of Series B Redeemable Preferred Stock (par value \$.01 per share) of

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which 1,294,579 shares are outstanding, (v) 1,000,000 shares of Series C Redeemable Preferred Stock (par value \$.01 per share) of which 424,306 shares are outstanding, and (vi) 1,922,169 shares of Series D Convertible Preferred Stock (par value \$.01 per share) of which 1,922,169 shares are outstanding. All such shares have been duly issued and are full paid and non-assessable.

(b) Options, Etc. Except as set forth on Schedule 6.20(b), no Person has outstanding any rights (either pre-emptive or other) or options (except for the options for common stock issued to management employees, in accordance with a bona fide option plan approved by the Board of Directors of the Parent) to subscribe for or purchase from the Parent, or any warrants or other agreements providing for or requiring the issuance by the Parent of, any capital stock or any securities convertible into or exchangeable for its capital stock.

ss.6.21. True Copies of Charter and Other Documents. The Borrowers have furnished the Agent copies, in each case true and complete as of the Closing Date, of (a) all charter and other incorporation documents (together with any amendments thereto) and (b) by-laws (together with any amendments thereto).

ss.6.22. Disclosure. No representation or warranty made by the Borrowers in this Agreement or in any agreement, instrument, document, certificate, statement or letter furnished to the Banks or the Agent by or on behalf of or at the request of the Borrowers in connection with any of the transactions contemplated by the Loan Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made.

ss.6.23. Deposit Accounts. Other than the accounts maintained at the Agent's Head Office (the "Depository Accounts"), the Borrowers maintain the deposit accounts listed on Schedule 6.23 hereto and no other deposit accounts, unless approved in writing by the Agent. The aggregate amount of collected funds held in each such deposit account at the close of any Business Day shall not exceed the amount specified for such account on Schedule 6.23; any amounts in excess of the amounts specified in Schedule 6.23 shall be immediately transferred to the Depository Accounts.

ss.7. AFFIRMATIVE COVENANTS OF THE BORROWERS. The Borrowers jointly and severally covenant and agree that, so long as any Loan or Note is outstanding or the Banks have any obligation to make Loans or the Agent has any obligation to issue, extend, or renew any Letters of Credit hereunder:

ss.7.1. Punctual Payment. The Borrowers will duly and punctually pay or cause to be paid the principal and interest on the Loans, all Reimbursement Obligations, fees and other amounts provided for in this Agreement and the other Loan Documents, all in accordance with the terms of this Agreement and such other Loan Documents.

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ss.7.2. Maintenance of Office. The Borrowers will maintain their chief executive offices at the locations set forth on Schedule 1 attached hereto, or at such other place in the United States of America as each Borrower shall designate upon 30 days prior written notice to the Agent.

ss.7.3. Records and Accounts. Each of the Borrowers will keep true and

accurate records and books of account in which full, true and correct entries will be made in accordance with GAAP and with the requirements of all regulatory authorities and maintain adequate accounts and reserves for all taxes (including income taxes), depreciation, depletion, obsolescence and amortization of its properties, all other contingencies, and all other proper reserves.

ss.7.4. Financial Statements, Certificates and Information. The Borrowers will deliver to the Banks:

(a) as soon as practicable, but, in any event not later than 90 days after the end of each fiscal year of the Borrowers, the consolidated and consolidating balance sheets of Borrowers as at the end of such year, statements of cash flows, and the related consolidated and consolidating statements of operations, each setting forth in comparative form the figures for the previous fiscal year, all such consolidated and consolidating financial statements to be in reasonable detail, prepared, in accordance with GAAP and, with respect to the consolidated financial statements, Certified by the Accountants. In addition, simultaneously therewith, the Borrowers shall use their best efforts to provide the Banks with a written statement from such Accountants to the effect that the Borrowers are in compliance with the covenants set forth in ss.9 hereof, and that, in making the examination necessary to said certification, nothing has come to the attention of such Accountants that would indicate that any Default or Event of Default exists, or, if such accountants shall have obtained knowledge of any then existing Default or Event of Default they shall disclose in such statement any such Default or Event of Default; provided, that such Accountants shall not be liable to the Banks for failure to obtain knowledge of any Default or Event of Default;

(b) as soon as practicable, but in any event not later than 45 days after the end of each fiscal quarter of the Borrowers, copies of the consolidated and consolidating balance sheets and statement of operations of the Borrowers as at the end of such quarter including profit and loss statements by division, subject to year end adjustments, and the related statement of cash flows, all in reasonable detail and prepared in accordance with GAAP with a certification by the principal financial or accounting officer of the Borrowers (the "CFO") that the consolidated financial statements are prepared in accordance with GAAP and fairly present the consolidated financial condition of the Borrowers as at the close of business on the date thereof and the results of operations for the period then ended;

(c) simultaneously with the delivery of the financial statements referred to in (a) and (b) above, a statement in the form of Exhibit G hereto (the "Compliance Certificate") certified by the CFO that the Borrowers are in compliance with the covenants contained in ss.ss.7, 8 and 9 hereof as of the end of the applicable period setting

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forth in reasonable detail computations evidencing such compliance, provided that if the Borrowers shall at the time of issuance of such certificate or at any other time obtain knowledge of any Default or Event of Default, the Borrowers shall include in such certificate or otherwise deliver forthwith to the Banks a certificate specifying the nature and period of existence thereof and what action the Borrowers propose to take with respect thereto and a certificate of the Borrowers' Chief Operating Officer in the form attached hereto as Exhibit H with respect to environmental matters;

(d) contemporaneously with or promptly following the delivery thereof to the board of directors of the Parent, copies of the financial statements, financial projections, and variance reports concerning the Parent in substantially the same form in which such information is supplied to the board of directors of the Parent;

(e) contemporaneously with, or promptly following, the filing or mailing thereof, copies of all material of a financial nature filed with the Securities and Exchange Commission or sent to the stockholders of the Parent or any of the Borrowers;

(f) from time to time such other financial data and other information (including accountants' management letters) as the Banks may reasonably request; and

(g) as soon as practicable, but in any event not later than fifteen (15) days prior to the commencement of the next fiscal year of the Borrowers, a copy of the annual budget for such fiscal year.

The Borrowers hereby authorize the Banks to disclose any information obtained pursuant to this Agreement to all appropriate governmental regulatory authorities where required by law; provided, however, that the Banks shall, to the extent practicable and allowable under law, notify the Borrowers within a reasonable period prior to the time any such disclosure is made; and provided further, this authorization shall not be deemed to be a waiver of any rights to object to the disclosure by the Banks of any such information which any Borrower has or may have under the federal Right to Financial Privacy Act of 1978, as in effect from time to time.

ss.7.5. Corporate Existence and Conduct of Business. Except where the failure of a Borrower to remain so qualified would not materially adversely impair the financial condition of the Borrowers on a consolidated basis, each Borrower will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, corporate rights and franchises; effect and maintain its foreign qualifications, licensing, domestication or authorization except as terminated by its Board of Directors in the exercise of its reasonable judgment; use its best efforts to comply with all applicable laws; and shall not become obligated under any contract or binding arrangement which, at the time it was entered into would materially adversely impair the financial condition of the Borrowers, on a consolidated basis. Each Borrower will continue to engage primarily in the businesses now conducted by it and in related businesses.

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ss.7.6. Maintenance of Properties. The Borrowers will cause all material properties used or useful in the conduct of their businesses to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrowers may be necessary so that the businesses carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this section shall prevent any Borrower from discontinuing the operation and maintenance of any of its properties if such discontinuance is, in the judgment of such Borrower, desirable in the conduct of its or their business and which does not in the aggregate materially adversely affect the business of the Borrowers on a consolidated basis.

ss.7.7. Insurance. The Borrowers will maintain with financially sound and reputable insurance companies, funds or underwriters' insurance of the kinds, covering the risks (other than risks arising out of or in any way connected with personal liability of any officers and directors thereof, which risks may, but shall not be required by the Banks to be, covered by insurance maintained by the Borrowers) and in the relative proportionate amounts usually carried by reasonable and prudent companies conducting businesses similar to that of the Borrowers, but in no event less than the amounts and coverages set forth in Schedule 7.7 hereto. In addition, the Borrowers will furnish from time to time, upon the Agent's request, a summary of the insurance coverage of each of the Borrowers, which summary shall be in form and substance satisfactory to the Agent and, if requested by the Agent, will furnish to the Agent copies of the applicable policies.

ss.7.8. Taxes. The Borrowers will each duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all taxes, assessments and other governmental charges (other than taxes, assessments and other governmental charges imposed by foreign jurisdictions which in the aggregate are not material to the business or assets of any Borrower on an individual basis or of the Borrowers on a consolidated basis) imposed upon it and its real properties, sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies, which if unpaid might by law become a lien or charge upon any of its property; provided, however, that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be

contested in good faith by appropriate proceedings and if such Borrower shall have set aside on its books adequate reserves with respect thereto; and provided, further, that such Borrower will pay all such taxes, assessments, charges, levies or claims forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor.

ss.7.9. Inspection of Properties, Books, and Contracts. The Borrowers shall permit the Banks, the Agent or any of their designated representatives, upon reasonable notice, to visit and inspect any of the properties of the Borrowers, to examine the books of account of the Borrowers (including the making of periodic accounts receivable reviews), or contracts (and to make copies thereof and extracts therefrom), and to discuss the affairs, finances and accounts of the Borrowers with, and to be advised as to the same by, their officers, all at such times and intervals as the Banks may reasonably request.

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ss.7.10. Compliance with Laws, Contracts, Licenses and Permits; Maintenance of Material Licenses and Permits. Each Borrower will (i) comply with the provisions of its charter documents and by-laws and all agreements and instruments by which it or any of its properties may be bound; (ii) comply with all applicable laws and regulations (including Environmental Laws), decrees, orders, judgments, licenses and permits, including, without limitation, all environmental permits hereto ("Applicable Laws"), except where noncompliance with such Applicable Laws would not have a material adverse effect in the aggregate on the consolidated financial condition, properties or businesses of the Borrowers; (iii) comply in all material respects with all agreements and instruments by which it or any of its properties may be bound; (iv) maintain all material operating permits for all landfills now owned or hereafter acquired; and (v) dispose of hazardous waste only at licensed disposal facilities operating, to the best of such Borrower's knowledge after reasonable inquiry, in compliance with Environmental Laws. If at any time while the Notes, or any Loan or Letter of Credit is outstanding or any Bank or the Agent has any obligation to make Loans or issue Letters of Credit hereunder, any authorization, consent, approval, permit or license from any officer, agency or instrumentality of any government shall become necessary or required in order that any Borrower may fulfill any of its obligations hereunder, such Borrower will immediately take or cause to be taken all reasonable steps within the power of such Borrower to obtain such authorization, consent, approval, permit or license and furnish the Banks with evidence thereof.

ss.7.11. Environmental Indemnification. The Borrowers covenant and agree that they will indemnify and hold the Banks harmless from and against any and all claims, expense, damage, loss or liability incurred by the Banks (including all costs of legal representation incurred by the Banks) relating to (a) any Release or threatened Release of Hazardous Substances on the Real Property; (b) any violation of any Environmental Laws with respect to conditions at the Real Property or the operations conducted thereon; or (c) the investigation or remediation of offsite locations at which the Borrowers, or their predecessors are alleged to have directly or indirectly Disposed of Hazardous Substances. It is expressly acknowledged by the Borrowers that this covenant of indemnification shall survive any foreclosure or any modification, release or discharge of any or all of the Security Documents or the payment of the Loans and shall inure to the benefit of the Banks, their successors and assigns.

ss.7.12. Further Assurances. The Borrowers will cooperate with the Banks and execute such further instruments and documents as the Banks shall reasonably request to carry out to the Banks' satisfaction the transactions contemplated by this Agreement, including granting additional mortgages on Real Property at the Banks' request as set forth in ss.7.19 hereof.

ss.7.13. Notice of Potential Claims or Litigation. The Borrowers shall deliver to the Banks, within 30 days of receipt thereof, written notice of the initiation of any action, claim, complaint, or any other notice of dispute or potential litigation (including without limitation any alleged violation of any Environmental Law), wherein the potential liability is in excess of \$500,000, together with a copy of each such notice received by any Borrower.

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ss.7.14. Notice of Certain Events Concerning Insurance and Environmental Claims.

(a) The Borrowers will provide the Banks with written notice as to any cancellation or material change in any insurance of any of the Borrowers within ten (10) Business Days after such Borrower's receipt of any notice (whether formal or informal) of such cancellation or change by any of its insurers.

(b) The Borrowers will promptly notify the Banks in writing of any of the following events:

(i) upon any Borrower's obtaining knowledge of any violation of any Environmental Law regarding the Real Property or any Borrower's operations which violation could have a material adverse effect on the Real Property or on any Borrower's operations; (ii) upon any Borrower's obtaining knowledge of any potential or known Release, or threat of Release, of any Hazardous Substance at, from, or into the Real Property which it reports in writing or is reportable by it in writing to any governmental authority and which is material in amount or nature or which could materially affect the value of the Real Property; (iii) upon any Borrower's receipt of any notice of violation of any Environmental Laws or of any Release or threatened Release of Hazardous Substances, including a notice or claim of liability or potential responsibility from any third party (including without limitation any federal, state or local governmental officials) and including notice of any formal inquiry, proceeding, demand, investigation or other action with regard to (A) any Borrower's, or any Person's operation of the Real Property, (B) contamination on, from or into the Real Property, or (C) investigation or remediation of offsite locations at which any Borrower, or any of their predecessors are alleged to have directly or indirectly Disposed of Hazardous Substances; (iv) upon any Borrower's obtaining knowledge that any expense or loss has been incurred by such governmental authority in connection with the assessment, containment, removal or remediation of any Hazardous Substances with respect to which any Borrower may be liable or for which a lien may be imposed on the Real Property; or (v) any setoff, claims (including, with respect to the Real Estate, environmental claims), withholdings or other defenses to which any of the Collateral, or the Agent's rights with respect to the Collateral, are subject.

ss.7.15. Response Actions. The Borrowers covenant and agree that if any Release or Disposal of Hazardous Substances shall occur or shall have occurred on the Real Property, the Borrowers will cause the prompt containment and removal of such Hazardous Substances and remediation of the Real Property as necessary to comply with all Environmental Laws or to preserve the value of the Real Property.

ss.7.16. Environmental Assessments. If (a) with respect to the Real Property subject to a Mortgage, the Banks in their good faith judgment, after discussion with the Borrowers, have reason to believe that the environmental condition of such Real Property has deteriorated, after reasonable notice by the Banks, whether or not an Event of Default shall have occurred, or (b) with respect to Real Property not subject to a Mortgage, the Banks so request, the Banks may,

from time to time, for the purpose of assessing the value of the Real Property, obtain one or more environmental assessments or audits of the Real Property prepared by a hydrogeologist, an independent engineer or other qualified consultant or expert approved by the Banks to evaluate or confirm (i) whether any Hazardous Substances are present in the soil or water at the Real Property and (ii) whether the use and operation of the Real Property complies with all Environmental Laws. Environmental assessments may include without limitation detailed visual inspections of the Real Property including, without limitation, any and all storage areas, storage tanks, drains, dry wells and leaching areas, and the taking of soil samples, surface water samples and ground water samples, as well as such other investigations or analyses as the Banks deem appropriate. All such environmental assessments shall be at the sole cost

and expense of the Borrowers.

ss.7.17. Notice of Default. The Borrowers will promptly notify the Banks in writing of the occurrence of any Default or Event of Default. If any Person shall give any notice or take any other action in respect of a claimed default (whether or not constituting an Event of Default) under this Agreement or any other note, evidence of indebtedness, indenture or other obligation evidencing indebtedness in excess of \$250,000 as to which any Borrower is a party or obligor, whether as principal or surety, the Borrowers shall forthwith give written notice thereof to the Banks, describing the notice of action and the nature of the claimed default.

ss.7.18. Closure and Post Closure Liabilities. The Borrowers shall at all times adequately accrue, in accordance with GAAP, and fund, as required by applicable Environmental Laws, all closure and post closure liabilities with respect to the operations of the Borrowers.

ss.7.19. Additional Mortgages. If after the Closing Date the Agent so requests, the Borrowers shall forthwith execute and deliver to the Agent a fully executed mortgage or deed of trust over Real Property of the Borrowers in addition to the Sanco Landfill, the Waste USA Landfill, the Sawyer Real Estate and the Casella TIRES Real Estate, in form and substance satisfactory to the Agent, together with title insurance policies, surveys, evidences of insurance, legal opinions and other documents and certificates with respect to such Real Property as the Agent may request. The Borrowers agree that following the taking of such actions with respect to such Real Property, the Agent shall have a valid and enforceable first priority mortgage or deed of trust over such Real Property, subject only to Permitted Liens. If after the Closing Date the Agent so requests, the Borrowers shall forthwith execute and deliver to the Agent fully executed amendments to the Mortgages, in form and substance satisfactory to the Agent, together with title insurance policy endorsements, legal opinions and other documents and certificates with respect to such amendments as the Agent may request in order to confirm the Agent's first priority security interest in the Real Property subject to such Mortgages.

ss.7.20. Subsidiaries. The Parent shall at all times directly or indirectly through a Subsidiary own all of the shares of the capital stock of each Subsidiary.

ss.7.21. Interest Rate Protection. The Borrower shall enter into an interest rate protection arrangement satisfactory to the Agent in respect of a notional principal amount of not less than fifty percent (50%) of the sum of the Total Commitment plus the outstanding principal

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amount of the Term Loans plus the principal amount of capitalized leases and other Indebtedness for borrowed money if the Parent does not complete an equity offering by November 30, 1997 which raises net proceeds (after payment of all fees and expenses relating to such offering and redemption of the Parent's Series C Redeemable Preferred Stock) in excess of \$30,000,000. The Borrower shall maintain such arrangements in full force and effect as provided therein until the Commitments are terminated and all Loans have been repaid in full, and shall not modify, terminate, or transfer such arrangements during such period without the prior written consent of the Agent.

ss.8. CERTAIN NEGATIVE COVENANTS OF THE BORROWERS. The Borrowers agree that, so long as any Loan or any Note is outstanding or the Banks have any obligation to make Loans or the Agent has any obligation to issue, extend or renew any Letters of Credit hereunder:

ss.8.1. Restrictions on Indebtedness. None of the Borrowers shall become or be a guarantor or surety of, or otherwise create, incur, assume, or be or remain liable, contingently or otherwise, with respect to any Indebtedness, or become or be responsible in any manner (whether by agreement to purchase any obligations, stock, assets, goods or services, or to supply or advance any funds, assets, goods or services or otherwise) with respect to any undertaking or Indebtedness of any other Person, or incur any Indebtedness other than:

(a) Indebtedness to the Banks and the Agent arising under this Agreement or the Loan Documents;

(b) Subject to ss.8.9, Subordinated Debt;

(c) Existing Indebtedness with respect to loans and capitalized leases listed on Schedule 8.1(c) hereto in an amount not to exceed \$3,500,000, on the terms and conditions in effect as of the date hereof, together with any renewals, extensions or refinancings thereof on terms which are not materially different than those in effect as of the date hereof; provided that no such Indebtedness may be prepaid without prior written consent of the Required Banks;

(d) Current liabilities incurred in the ordinary course of business not incurred through (i) the borrowing of money, or (ii) the obtaining of credit except for credit on an open account basis customarily extended and in fact extended in connection with normal purchases of goods and services;

(e) Indebtedness in respect of taxes, assessments, governmental charges or levies and claims for labor, materials and supplies to the extent that payment therefor shall not at the time be required to be made in accordance with the provisions of ss.7.8 and Indebtedness of the Borrowers secured by liens of carriers, warehousemen, mechanics and materialmen permitted by ss.8.2;

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(f) Indebtedness in respect of judgments or awards which have been in force for less than the applicable period for taking an appeal so long as execution is not levied thereunder or in respect of which any Borrower shall at the time in good faith be prosecuting an appeal or proceedings for review and in respect of which a stay of execution shall have been obtained pending such appeal or review and in respect of which the Borrowers have maintained adequate reserves;

(g) Indebtedness of any Borrower with respect to guaranty, suretyship or indemnification obligations in connection with such Borrower's performance of services for its respective customers in the ordinary course of its business;

(h) [Intentionally omitted];

(i) Indebtedness of any Subsidiary owing to the Parent;

(j) Intercompany Indebtedness among the Subsidiaries;

(k) Indebtedness in respect of a letter of credit issued by Allbank Bank in the face amount of \$168,000; provided that if the Agent, in its sole and absolute discretion, at any time and for any reason so requests, the Borrowers shall promptly replace such letter of credit with a Letter of Credit issued by the Agent pursuant to the terms of this Credit Agreement;

(l) Indebtedness incurred in connection with the acquisition after the date hereof of any personal property by the Borrowers under any lease; provided that the aggregate outstanding principal amount of such Indebtedness of the Borrowers shall not exceed \$10,000,000 at any time;

(m) Indebtedness incurred in connection with the acquisition by the Borrowers of real or personal property; provided that the aggregate principal amount of such Indebtedness of the Borrowers shall not exceed \$5,000,000 at any time;

(n) Indebtedness in an aggregate amount not to exceed \$10,501,284 payable to Clinton County, New York under and in accordance with the terms of the Clinton Lease; and

(o) Indebtedness in respect of non-compete payments in the amount of \$600,000 payable to Kenneth Mead payable over a term of four (4) years, with payments of \$200,000 in each of 1998 and 1999 and payments of \$100,000 in each of 2000 and 2001.

(p) Indebtedness under fuel price swaps, fuel price caps, and fuel price collar or floor agreements, and similar agreements or

arrangements designed to protect against or manage fluctuations in fuel prices with respect to fuel purchased in the ordinary course of business of the Borrowers, provided that the aggregate amount of such agreements do

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not exceed \$500,000, the maturity of such agreements do not exceed six (6) months and the terms are consistent with past practices of the Borrowers.

ss.8.2. Restrictions on Liens. None of the Borrowers will create or incur or suffer to be created or incurred or to exist any lien, encumbrance, mortgage, pledge, negative pledge, charge, restriction or other security interest of any kind upon any property or assets of any character, whether now owned or hereafter acquired, or upon the income or profits therefrom; or transfer any of such property or assets or the income or profits therefrom for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to payment of its general creditors; or acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement; or suffer to exist for a period of more than 30 days after the same shall have been incurred any Indebtedness or claim or demand against it which if unpaid might by law or upon bankruptcy or insolvency, or otherwise, be given any priority whatsoever over its general creditors; or sell, assign, pledge or otherwise transfer any accounts, contract rights, general intangibles or chattel paper, with or without recourse, except as follows (the "Permitted Liens"):

(a) purchase money security interests in or purchase money liens on property other than the Mortgaged Property to secure Indebtedness permitted under ss.8.1(m) hereof, provided that such Liens (i) shall encumber only the property or assets so acquired, (ii) shall not exceed the fair market value thereof and (iii) shall not encumber property with a value in excess of \$10,000,000;

(b) Liens to secure taxes, assessments and other government charges or claims for labor, material or supplies in respect of obligations not overdue;

(c) Deposits or pledges made in connection with, or to secure payment of, workmen's compensation, unemployment insurance, old age pensions or other social security obligations;

(d) Liens in respect of judgments or awards, the Indebtedness with respect to which is permitted by ss.8.1(e);

(e) Liens of carriers, warehousemen, mechanics and materialmen, and other like liens, in existence less than 120 days from the date of creation thereof in respect of obligations not overdue;

(f) Encumbrances consisting of easements, rights of way, zoning restrictions, restrictions on the use of real property and defects and irregularities in the title thereto, landlord's or lessor's liens under leases to which any Borrower is a party, and other minor liens or encumbrances none of which in the opinion of the respective Borrower interferes materially with the use of the property affected in the ordinary conduct of the business of such Borrower, which defects do not individually or in the aggregate have a material adverse effect on the business of such Borrower individually or of the Borrowers on a consolidated basis;

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(g) Liens existing as of the date hereof securing Indebtedness permitted under ss.8.1(c) hereof and listed on Schedule 8.2(g) hereto;

(h) Liens granted pursuant to the Security Documents;

(i) A second mortgage lien on the Waste USA Landfill in favor

of the sellers of the Waste USA Landfill, subordinated to the Agent's Mortgage on terms acceptable to the Banks;

(j) Liens on the assets of Bristol Waste Management, Inc. granted to secure the Indebtedness permitted by ss.8.1(k) hereof and listed on Schedule 8.2(k) hereto; and

(k) Liens granted to secure the Indebtedness permitted by ss.8.1(l) hereof.

ss.8.3. Restrictions on Investments. None of the Borrowers shall make or permit to exist or to remain outstanding any other Investment other than:

(a) Investments in obligations of the United States of America and agencies thereof and obligations guaranteed by the United States of America that are due and payable within one year from the date of acquisition;

(b) certificates of deposit, time deposits or repurchase agreements which are fully insured or are issued by commercial banks organized under the laws of the United States of America or any state thereof and having a combined capital, surplus, and undivided profits of not less than \$100,000,000;

(c) commercial paper, maturing not more than nine months from the date of issue, provided that, at the time of purchase, such commercial paper is not rated lower than "P-1" by Moody's Investors Service, Inc., or "A-1" by Standard & Poor's Corporation;

(d) Investments associated with insurance policies required or allowed by state law to be posted as financial assurance for landfill closure and post-closure liabilities;

(e) Investments by any Borrower in any wholly owned Subsidiary which is also a Borrower;

(f) other Investments not to exceed \$500,000 in the aggregate at any time outstanding; and

(g) Investments existing on the date hereof and listed on Schedule 8.3(g) hereto;

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(h) Any money market account, short-term asset management account or similar investment account maintained with one of the Banks;

provided; that none of the Borrowers shall make or permit to exist or to remain outstanding any Investment in any Subsidiary unless both before and after giving effect thereto there does not exist a Default or Event of Default and no Default or Event of Default would be created by the making of such Investment.

ss.8.4. Mergers, Consolidations, Sales. None of the Borrowers shall be a party to any merger, consolidation or exchange of stock, or purchase or otherwise acquire all or substantially all of the assets or stock of, or any partnership or joint venture interest in, any other Person (except as otherwise provided in this ss.8.4), or sell, transfer, convey or lease any stock or assets or group of assets (except for (i) sales of equipment in the ordinary course of business and (ii) sales of other assets so long as the aggregate book value of such assets to be sold, together with the aggregate book value of all other such assets sold by the Borrowers during the term of this Agreement, does not exceed 5% of Consolidated Total Assets at the time of such sale) or sell or assign, with or without recourse, any receivables, provided, however notwithstanding the foregoing so long as no Default or Event of Default has occurred and is continuing and the proposed transaction will not otherwise create an Event of Default as a result thereof, the Borrowers shall be permitted (i) simultaneously with the consummation of its initial public offering to exchange any of its preferred stock into shares of common stock and (ii) to authorize and issue additional shares of its capital stock. Notwithstanding the foregoing, a Borrower may purchase or otherwise acquire for cash, stock or other consideration all or substantially all of the assets or stock of any class of any Person provided that (a) the Banks shall have been provided with a

Compliance Certificate demonstrating that the Borrowers are in current compliance with and, giving effect to the proposed acquisition (including any borrowings made or to be made in connection therewith), will continue to be in compliance with, all of the covenants in ss.9 hereof; (b) no Event of Default has occurred and is continuing and the proposed transaction will not otherwise create an Event of Default hereunder; (c) the business or assets to be acquired involves solid waste collection, hauling, recycling or transfer or related businesses; (d) the business or assets to be acquired operates in the United States; (e) all of the assets to be acquired shall be pledged to the Agent for the benefit of the Banks and shall be owned by an existing or newly created Subsidiary of the Parent, 100% of the stock of which has been or will be pledged to the Agent on behalf of the Banks and which is a Borrower or, in the case of a stock acquisition, the acquired company shall become or shall be merged with a wholly-owned Subsidiary of the Parent that is a Borrower; (f) a copy of the purchase agreement, together with audited (if available, or otherwise unaudited) financial statements for any business to be acquired for the preceding two (2) fiscal years and due diligence summaries shall have been furnished to the Banks, if the purchase price, excluding the payment of all fees and expenses relating to such purchase, exceeds \$1,000,000; (g) if such acquisition is made by a merger, such Borrower shall be the surviving entity; (h) the cash consideration in connection with any such acquisition (including the aggregate amount of all liabilities assumed) shall not exceed \$5,000,000; and (i) the Borrower shall provide to the Banks written consent or approval of the board of directors or equivalent governing body of the entity whose business or assets are to be acquired. Notwithstanding the foregoing, no Person may acquire a controlling interest in any Borrower,

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nor may a Borrower purchase or otherwise acquire all or substantially all of the assets or stock of any class of another Borrower, in each case, without the prior written consent of the Banks. In addition, notwithstanding the foregoing, no Borrower shall merge with or into any Person except for mergers of a non-Borrower into a Borrower as permitted by clause (g) of the second sentence of this ss.8.4; provided, however, that so long as (x) no Default or Event of Default has occurred and is continuing, or would occur after giving effect thereto, and (y) the surviving entity becomes a Borrower hereunder and all assets of such surviving entity are pledged to the Agent for the benefit of the Banks, North Country Environmental Services, Inc. may merge with a newly created corporation which is formed solely for the purpose of acquiring the assets of North Country Environmental Services, Inc. only and which is directly or indirectly wholly-owned by the Parent.

ss.8.5. Sale and Leaseback. None of the Borrowers shall enter into any arrangement, directly or indirectly, whereby any Borrower shall sell or transfer any property owned by it in order then or thereafter to lease such property or lease other property which such Borrower intends to use for substantially the same purpose as the property being sold or transferred, without the prior written consent of the Banks.

ss.8.6. Restricted Distributions and Redemptions. None of the Borrowers will declare or pay any cash Distributions (other than from insurance proceeds); provided that any Subsidiary may declare or pay cash Distributions to the Parent. In addition, the Borrowers shall not redeem, convert, retire or otherwise acquire shares of any class of capital stock of the Borrowers in aggregate amount in excess of \$100,000 during the term of this Agreement; provided, that the Parent may (a) repurchase the shares of Series A Redeemable Preferred Stock or Series B Redeemable Preferred Stock pursuant to the terms of Section C.8(e)(i) of the Parent's Amended and Restated Certificate of Incorporation simultaneously with or following the exercise, for cash, of the common stock purchase warrants dated July 26, 1993 and May 25, 1994 issued to certain of the stockholders of the Parent, (b) redeem shares of the Parent's Series C Redeemable Preferred Stock held by The Vermont Venture Capital Fund, L. P. and North Atlantic Venture Fund, L. P. in three (3) installments of \$150,000 each on January 31, 1997, July 31, 1997 and January 31, 1998 and (c) redeem shares of the Parent's Series C Redeemable Preferred Stock from the proceeds of an initial public offering of the Parent's stock so long as such initial public offering occurs on or before December 31, 1997 and the net proceeds to the Parent from such initial public offering (after payment of all fees and expenses relating to such initial public offering and after redemption of all of the Parent's Series C Redeemable Preferred Stock) equal or exceed \$25,000,000; provided that Parent may call 100,000 Stock Purchase Warrants to Subscribe for and Purchase Class A Common Stock of Casella Waste Systems Inc., issued to

Springer Sanitation Service, Inc. at \$7 per warrant, provided Parent has filed its Form S-1 with the Securities and Exchange Commission on or before December 31, 1997 and provides to the Agent a Compliance Certificate, certified by the CFO pursuant to ss.7.4(c) hereof, dated as of the date of the call which takes into account such call. The Borrowers shall not effect or permit any change in or amendment to the charter documents or by-laws of any Borrower or any document or instrument pertaining to the terms of the Parent's capital stock.

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ss.8.7. Employee Benefit Plans. None of the Borrowers nor any ERISA Affiliate will:

(a) engage in any "prohibited transaction" within the meaning of ss.406 of ERISA or ss.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 ss.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 ss.302(f) or ss.4068 of ERISA; or

(d) permit or take any action which would result in the aggregate benefit liabilities (with the meaning of ss.4001 of ERISA) of all Guaranteed Pension Plans exceeding the value of the aggregate assets of such Plans, disregarding for this purpose the benefit liabilities and assets of any such Plan with assets in excess of benefit liabilities.

The Borrowers will (i) promptly upon filing the same with the Department of Labor or Internal Revenue Service, furnish to the Banks a copy of the most recent actuarial statement required to be submitted under ss.103(d) of ERISA and Annual Report, Form 5500, with all required attachments, in respect of each Guaranteed Pension Plan and (ii) promptly upon receipt or dispatch, furnish to the Banks any notice, report or demand sent or received in respect of a Guaranteed Pension Plan under ss.ss.302, 4041, 4042, 4043, 4063, 4065, 4066 and 4068 of ERISA, or in respect of a Multiemployer Plan, under ss.ss.4041A, 4202, 4219, or 4245 of ERISA.

ss.8.8. Capital Expenditures. As at the end of any fiscal quarter, the Borrowers will not permit the amount of Capital Expenditures (excluding any acquisitions permitted by ss.8.4 hereof) made by the Borrowers in the period of four (4) consecutive fiscal quarters then ended to exceed an amount equal to 1.5 times the sum of depreciation and landfill amortization expense for such period.

ss.8.9. Subordinated Debt. None of the Borrowers will amend, supplement, or otherwise modify the terms of the Subordinated Debt, the Subordination Agreements, the Stockholder Stand-off Agreement or the Waste USA Lease without the prior written consent of the Banks. None of the Borrowers will prepay the Waste USA Lease, terminate the Waste USA Lease or exercise any option of purchase the leasehold estate subject to the Waste USA Lease during the term of this Credit Agreement without the prior written consent of the Banks. None of the Borrowers will amend, supplement or otherwise modify the terms of the Clinton Lease, prepay the Clinton Lease, terminate the Clinton Lease, or exercise any option to purchase the landfill and related property subject to the Clinton Lease during the term of this Agreement without the prior written consent of the Banks. The Borrowers will not make any payments of the

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Subordinated Debt other than scheduled payments of principal and interest permitted under the Subordination Agreements; provided that Parent may make an unscheduled principal payment not to exceed \$500,000 on the Subordinated Promissory Note dated July 9, 1996, to Seaward Realty Trust provided Parent has filed its Form S-1 with the Securities and Exchange Commission on or before December 31, 1997 and provides to the Agent a Compliance Certificate, certified

by the CFO pursuant to ss.7.4(c) hereof, dated as of the date of the unscheduled principal payment which takes into account such unscheduled principal payment.

ss.9. FINANCIAL COVENANTS OF THE BORROWERS. The Borrowers agree that, so long as any Loan or any Note is outstanding or the Banks have any obligation to make Loans or the Agent has any obligation to issue, extend or renew any Letters of Credit hereunder:

ss.9.1. Interest Coverage Ratios. As of the end of any fiscal quarter, for the period of the four consecutive fiscal quarters then ended, the ratio of EBITDA to Consolidated Total Interest Expense shall not be less than 3.5:1.

ss.9.2. Profitable Operations. The Borrowers will not permit Consolidated Net Income to be less than \$0 in any quarter.

ss.9.3. Debt-to-EBITDA. As at the end of any fiscal quarter, the ratio of (a) Indebtedness of the Borrowers for borrowed money and capitalized leases (excluding Indebtedness with respect to the Waste USA Lease) to (b) EBITDA (minus interest, depreciation and amortization expense related to the Waste USA Lease) for the period of four consecutive fiscal quarters ending on such date (subject to the provisions below) shall not exceed the stated ratio for the respective periods set forth below:

Period	Ratio
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Closing Date through 4/30/98	4.00:1
5/1/98 through 4/30/99	3.75:1
Thereafter	3.50:1

For purposes of calculating the Debt to EBITDA ratio (a) for (i) the fiscal quarter ending July 31, 1997, EBITDA shall be deemed equal to four (4) times EBITDA for the three month period then ended, (ii) the fiscal quarter ending October 31, 1997, EBITDA shall be deemed equal to two (2) times EBITDA for the six month period then ended and (iii) the fiscal quarter ending January 31, 1998, EBITDA shall be deemed equal to one and one-third (1 1/3) times EBITDA for the nine month period then ended and (b) the financial results of any businesses acquired after May 1, 1997 by the Borrowers during such fiscal period shall be included in the calculation of EBITDA so long as (i) the acquired business had annual revenue of at least \$5,000,000 for the most recent fiscal year, (ii) the Agent is satisfied that the financial information for the acquired business fairly presents the financial condition of such business and (iii) the Agent receives a letter in form and substance satisfactory to the Banks from the Borrowers' Accountants as to adjustments for non-recurring expenses.

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ss.9.4. Fixed Charge Coverage Ratio. As of the end of any fiscal quarter, the Borrowers shall not permit the ratio of (a) EBITDA for the period of four (4) consecutive fiscal quarters then ended to (b) Consolidated Fixed Charges for such period to be less than 1.50 to 1.0.

ss.10. CLOSING CONDITIONS.

The obligations of the Banks to make the Loans and the Agent to issue Letters of Credit on the Closing Date and otherwise be bound by the terms of this Agreement shall be subject to the satisfaction of each of the following conditions precedent:

ss.10.1. Corporate Action. All corporate action necessary for the valid execution, delivery and performance by each Borrower of the Loan Documents shall have been duly and effectively taken, and evidence thereof satisfactory to the Agent shall have been provided to the Agent.

ss.10.2. Loan Documents, Etc. Each of the Loan Documents shall have been duly and properly authorized, executed and delivered by the respective parties thereto and shall be in full force and effect in a form satisfactory to the Banks.

ss.10.3. Certified Copies of Charter Documents. The Agent shall have received from the Borrowers a copy, certified by a duly authorized officer of such Person to be true and complete on the Closing Date, of each of (a) its

charter or other incorporation documents (including certificates of merger and name changes) as in effect on such date of certification, and (b) its by-laws as in effect on such date.

ss.10.4. Incumbency Certificate. The Agent shall have received an incumbency certificate, dated as of the Closing Date, signed by duly authorized officers giving the name and bearing a specimen signature of each individual who shall be authorized: (a) to sign the Loan Documents on behalf of the Borrowers; (b) to make Loan and Letter of Credit Requests; and (c) to give notices and to take other action on the Borrowers' behalf under the Loan Documents.

ss.10.5. Validity of Liens. The Security Documents shall be effective to create in favor of the Agent a legal, valid and enforceable first security interest in and lien upon the Collateral, subject only to Permitted Liens. All filings, recordings, deliveries of instruments and other actions necessary or desirable in the opinion of the Agent to protect and preserve such security interests, including, without limitation, delivery of the Mortgage for the Superior Real Estate and any necessary amendments to the other Mortgages, shall have been duly effected. The Agent shall have received evidence thereof in form and substance satisfactory to the Agent.

ss.10.6 UCC Search Results. The Agent shall have received the results of UCC searches with respect to the Collateral owned by the Borrowers indicating no liens other than Permitted Liens and otherwise in form and substance satisfactory to the Agent.

ss.10.7. Title Insurance. The Agent shall have received mortgagee policies of title insurance or commitments to issue such policies or satisfactory endorsements of existing

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policies, in form and substance satisfactory to the Banks, together with proof of payment of all fees and premiums for such policies or endorsements, from title insurers and in amounts satisfactory to the Agent, insuring the interest of the Agent as first mortgagee under the Mortgages and otherwise subject only to Permitted Liens, together with endorsements thereto relating to any amendments to the Mortgages.

ss.10.8. Certificates of Insurance. The Agent shall have received (i) a certificate of insurance from an independent insurance broker dated as of the Closing Date, or within 15 days prior thereto, identifying insurers, types of insurance, insurance limits, and policy terms, and otherwise describing the insurance obtained in accordance with the provisions of the Security Documents and (ii) copies of all policies evidencing such insurance (or certificates therefor signed by the insurer or an agent authorized to bind the insurer).

ss.10.9. Opinion of Counsel. The Banks shall have received

(a) from Miller, Eggleston & Cramer, Ltd., an opinion addressed to the Banks, dated the Closing Date, in form and substance satisfactory to the Banks, as to (i) authorization, enforceability of Loan Documents and other corporate matters; (ii) Vermont security and real estate matters.

(b) from Samaha & Vaughan, P.A., an opinion addressed to the Banks, dated the Closing Date, in form and substance satisfactory to the Banks, as to New Hampshire security and real estate matters.

(c) from Pierce Atwood, an opinion addressed to the Banks, dated the Closing Date, in form and substance satisfactory to the Banks, as to Maine security and real estate matters.

(d) from Ronald H. Sinzheimer, P.C., an opinion addressed to the Banks, dated the Closing Date, in form and substance satisfactory to the Banks, as to New York security and real estate matters.

ss.10.10. Payment of Fees. The Borrowers shall have paid to the Agent for the accounts of the Bank or its own account, as applicable, all fees and expenses that are due and payable as of the Closing Date in accordance with this Agreement.

ss.10.11. Good Standing Certificates. The Agent shall have received

certificates from governmental officials evidencing the legal existence, good standing and foreign qualifications of each Borrower.

ss.10.12. Affirmation of Subordination Agreements. The Agent shall have received an opinion of Miller, Eggleston & Cramer, Ltd. that such a reaffirmation of the Waste USA Subordination Agreement is not required to allow the provisions of such agreement to remain in full force and effect.

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ss.11. CONDITIONS OF ALL LOANS.

The obligations of the Banks to make any Loan (including without limitation the obligation of the Agent to issue any Letter of Credit) on and subsequent to the Closing Date is subject to the following conditions precedent:

ss.11.1. Representations True; No Event of Default. Each of the representations and warranties of the Borrowers contained in this Agreement or in any document or instrument delivered pursuant to or in connection with this Agreement shall be true as of the date as of which they were made and shall also be true at and as of the time of the making of the Loan with the same effect as if made at and as of that time (except to the extent of changes resulting from transactions contemplated or permitted by this Agreement and changes occurring in the ordinary course of business which singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties relate expressly to an earlier date) and no Default or Event of Default shall have occurred and be continuing.

ss.11.2 Performance; No Event of Default. The Borrowers shall have performed and complied with all terms and conditions herein required to be performed or complied with by them prior to or at the time of any Loan, and at the time of any Loan, there shall exist no Event of Default or condition which would result in an Event of Default upon consummation of such Loan (including without limitation any amounts to be drawn under a Letter of Credit). Each request by the Borrowers for a Loan (including without limitation each request for issuance of a Letter of Credit) subsequent to the first Loan shall constitute certification by the Borrowers that the conditions specified in ss.ss.10.1 and 10.2 will be duly satisfied on the date of such Loan or Letter of Credit issuance.

ss.11.3. No Legal Impediment. No change shall have occurred in any law or regulations thereunder or interpretations thereof which in the reasonable opinion of the Banks would make it illegal for the Banks to make Loans hereunder.

ss.11.4. Governmental Regulation. The Banks shall have received such statements in substance and form reasonably satisfactory to the Banks as they shall require for the purpose of compliance with any applicable regulations of the Comptroller of the Currency or the Board of Governors of the Federal Reserve System.

ss.11.5. Proceedings and Documents. All proceedings in connection with the transactions contemplated by this Agreement and all documents incident thereto shall have been delivered to the Banks as of the date hereof in substance and in form satisfactory to the Banks, including without limitation a Letter of Credit and Loan Request in the form attached hereto as Exhibit D, and the Banks shall have received all information and such counterpart originals or certified or other copies of such documents as the Banks may reasonably request.

ss.12. COLLATERAL SECURITY. The Obligations shall be secured by a perfected security interest (having, with respect to each category of Collateral, the respective rights and priorities set forth in the Security Documents) in all of the assets of the Borrowers, whether now

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owned or hereafter acquired, pursuant to the terms of the Security Documents to which the Borrowers are parties. It is the intention of the parties that all of the Revolving Credit Loans (including any increase in the amount of the Revolving Credit Loans pursuant to ss.2 hereof) be secured by the Mortgages,

whether or not the Mortgages, or any one of them, is amended in order to reflect the full amount of and/or any increase in the amount of the Revolving Credit Loans.

ss.13. EVENTS OF DEFAULT; ACCELERATION; TERMINATION OF COMMITMENT.

ss.13.1. Events of Default and Acceleration. If any of the following events ("Events of Default" or, if the giving of notice or the lapse of time or both is required, then, prior to such notice and/or lapse of time, "Defaults") shall occur:

(a) if the Borrowers shall fail to pay any principal of the Loans when the same shall become due and payable, whether at the Maturity Date or any accelerated date of maturity or at any other date fixed for payment;

(b) if the Borrowers shall fail to pay any interest or fees or other amounts owing hereunder within five (5) Business Days after the same shall become due and payable whether at the Maturity Date or any accelerated date of maturity or at any other date fixed for payment;

(c) if the Borrowers shall fail to comply with the covenants contained in ss.ss.7 (other than ss.ss.7.6, 7.14, 7.15 and 7.18), 8 or 9 hereof;

(d) if the Borrowers shall fail to perform any term, covenant or agreement contained herein or in any of the other Loan Documents (other than those specified in subsections (a), (b), and (c) above) within 30 days after written notice of such failure has been given to the Borrowers by the Banks;

(e) if any representation or warranty contained in this Agreement or in any document or instrument delivered pursuant to or in connection with this Agreement shall prove to have been false in any material respect upon the date when made or repeated;

(f) if any Borrower shall fail to pay at maturity, or within any applicable period of grace, any and all obligations for borrowed money or any guaranty with respect thereto in an aggregate amount greater than \$250,000, or fail to observe or perform any material term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing borrowed money in an aggregate amount greater than \$250,000 for such period of time as would, or would have permitted (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof; or

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(g) if any Borrower makes an assignment for the benefit of creditors, or admits in writing its inability to pay or generally fails to pay its debts as they mature or become due, or petitions or applies for the appointment of a trustee or other custodian, liquidator or receiver of any Borrower or of any substantial part of the assets of any Borrower or commences any case or other proceeding relating to any Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, now or hereafter in effect, or takes any action to authorize or in furtherance of any of the foregoing, or if any such petition or application is filed or any such case or other proceeding is commenced against any Borrower and or any Borrower indicates its approval thereof, consent thereto or acquiescence therein;

(h) a decree or order is entered appointing any such trustee, custodian, liquidator or receiver or adjudicating any Borrower bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief is entered in respect of any Borrower in an involuntary case under federal bankruptcy laws as now or hereafter constituted, and such decree or order remains in effect for more than sixty (60) days, whether or not consecutive;

(i) if there shall remain in force, undischarged, unsatisfied

and unstayed, for more than thirty (30) days, whether or not consecutive, any final judgment against any Borrower which, with other outstanding final judgments, against the Borrowers exceeds in the aggregate \$250,000 after taking into account any undisputed insurance coverage;

(j) with respect to any Guaranteed Pension Plan, an ERISA Reportable Event shall have occurred and the Banks shall have determined in their reasonable discretion that such event reasonably could be expected to result in liability of any Borrower to the PBGC or the Plan in an aggregate amount exceeding \$250,000 and such event in the circumstances occurring reasonably could constitute grounds for the termination of such Plan by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer such Plan; or a trustee shall have been appointed by the United States District Court to administer such Plan; or the PBGC shall have instituted proceedings to terminate such Plan;

(k) any of the Subordinated Debt shall be in default or all or any part of the Subordinated Debt shall be paid, prepaid, redeemed or repurchased in whole or in part other than as permitted under the terms of the Subordination Agreements, hereof and thereof; or

(l) if any of the Loan Documents shall be cancelled, terminated, revoked or rescinded otherwise than in accordance with the terms thereof or with the express prior written agreement, consent or approval of the Banks, or any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of the Borrowers or any of their respective stockholders, or any court or any other governmental or regulatory authority or agency of

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competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof;

(m) John Casella and James Bohlig shall cease to serve as senior management of the Parent and shall fail to be replaced by other Persons reasonably acceptable to the Banks within 30 days;

then, and in any such event, so long as the same may be continuing, the Agent shall upon the request of the Required Banks, by notice in writing to the Borrowers, declare all amounts owing with respect to this Agreement, the Notes and the other Loan Documents and all Reimbursement Obligations to be, and they shall thereupon forthwith become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrowers; provided that in the event of any Event of Default specified in ss.13.1(g) or 13.1(h), all such amounts shall become immediately due and payable automatically and without any requirement of notice from the Agent or any Bank. Upon demand by the Banks after the occurrence of any Event of Default, the Borrowers shall immediately provide to the Agent cash in an amount equal to the aggregate Maximum Drawing Amount of all Letters of Credit outstanding, to be held by the Agent as collateral security for the Obligations.

ss.13.2. Termination of Commitments. If any Event of Default shall occur, any unused portion of the Total Commitment hereunder shall forthwith terminate and the Banks shall be relieved of all obligations to make Loans to or issue Letters of Credit for the account of any of the Borrowers; or if on any Drawdown Date the conditions precedent to the making of the Loans to be made on such Drawdown Date or the issuance of any Letters of Credit to be issued on such date are not satisfied (except as a consequence of a default on the part of the Banks), the Banks may by notice to the Borrowers, terminate the unused portion of the Total Commitment hereunder, and upon such Notice being given, such unused portion of the Total Commitment hereunder shall terminate immediately and the Banks shall be relieved of all further obligations to make Loans to or issue Letters of Credit for the account of the Borrowers hereunder. No termination of any portion of the Total Commitment hereunder shall relieve the Borrowers of any of their existing Obligations to the Banks hereunder or elsewhere.

ss.13.3. Remedies. Subject to ss.15.8, in case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Loans pursuant to ss.13.1, each Bank, if owed any amount with respect to the Loans or the Reimbursement Obligations, may proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations or the Guaranteed Obligations to such Bank are evidenced, including, without limitation, as permitted by applicable law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any legal or equitable right of such Bank. No remedy herein conferred upon any Bank or the Agent or the holder of any Note or purchaser of any Letter of Credit Participation is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to

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every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

ss.14. SETOFF. Regardless of the adequacy of any collateral, during the continuance of an Event of Default, any deposits or other sums credited by or due from any Bank to the Borrowers and any securities or other property of the Borrowers in the possession of such Bank may be applied to or set off against the payment of the Obligations and any and all other liabilities, direct, or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of the Borrowers to the Banks. Each of the Banks agrees with each other Bank that (a) if an amount to be set off is to be applied to Indebtedness of the Borrowers to such Bank, other than Indebtedness evidenced by the Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness evidenced by all such Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, and (b) if such Bank shall receive from the Borrowers, whether by voluntary payment, exercise of the right of setoff, counterclaim, cross action, enforcement of the claim evidenced by the Notes held by, or constituting Reimbursement Obligations owed to, such Bank by proceedings against the Borrowers at law or in equity or by proof thereof in bankruptcy, reorganization, liquidation, receivership or similar proceedings, or otherwise, and shall retain and apply to the payment of the Note or Notes held by, or Reimbursement Obligations owed to, such Bank any amount in excess of its ratable portion of the payments received by all of the Banks with respect to the Notes held by, and Reimbursement Obligations owed to, all of the Banks, such Bank will make such disposition and arrangements with the other Banks with respect to such excess, either by way of distribution, pro tanto assignment of claims, subrogation or otherwise as shall result in each Bank receiving in respect of the Notes held by it or Reimbursement Obligations owed it, such Bank's proportionate payment as contemplated by this Agreement; provided that if all or any part of such excess payment is thereafter recovered from such Bank, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

ss.15. THE AGENT.

ss.15.1 Appointment of Agent, Powers and Immunities. Each Bank hereby irrevocably appoints and authorizes the Agent to act as its agent hereunder and under the other Loan Documents. The Agent hereby acknowledges that it does not have the authority to negotiate any agreement which would bind the Banks or agree to any amendment, waiver or modification of any of the Loan Documents or bind the Banks except as set forth in this Agreement or the Loan Documents. Except as provided in this ss.15 and in the other Loan Documents, the Agent shall take action or refrain from acting only upon instructions of the Banks and no action taken or failure to act without the consent of the Banks shall be binding on any Bank which has not consented. Each Bank irrevocably authorizes the Agent to execute the Security Documents and all other instruments relating thereto and to take such action on behalf of each of the Banks and to exercise all such powers as are expressly delegated to the Agent hereunder and in the Security Documents and all related documents, together with such other powers as are reasonably incidental thereto. It is agreed that the duties, rights, privileges and immunities of the Agent, in its capacity as issuer of Letters of Credit hereunder, shall be identical to its duties, rights,

privileges and immunities as Bank as provided in this ss.15. The Agent shall not have any duties or responsibilities or any fiduciary relationship with any Bank except those expressly set forth in this Agreement. Neither the Agent nor any of its affiliates shall be responsible to the Banks for any recitals, statements, representations or warranties made by the Borrowers or any other Person whether contained herein or otherwise or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, the other Loan Documents or any other document referred to or provided for herein or therein or for any failure by the Borrowers or any other Person to perform its obligations hereunder or thereunder or in respect of the Notes. The Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither the Agent nor any of its directors, officers, employees or agents shall be responsible for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct. The Bank in its separate capacity as a Bank shall have the same rights and powers hereunder as any other Bank.

ss.15.2. Actions By Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement as it reasonably deems appropriate unless it shall first have received such advice or concurrence of the Banks and shall be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any of the Loan Documents in accordance with a request of the Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks and all future holders of the Notes or any Letter of Credit Participation.

ss.15.3. Indemnification. Without limiting the obligations of the Borrowers hereunder or under any other Loan Document, the Banks agree to indemnify the Agent, ratably in accordance with their respective Commitment Percentages, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements or any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other Loan Document or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or the enforcement of any of the terms hereof or thereof or of any such other documents; provided, that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent (or any agent thereof).

ss.15.4. Reimbursement. Without limiting the provisions of ss.15.3, the Banks and the Agent hereby agree that the Agent shall not be obliged to make available to any Person any sum which the Agent is expecting to receive for the account of that Person until the Agent has determined that it has received that sum. The Agent may, however, disburse funds prior to determining that the sums which the Agent expects to receive have been finally and unconditionally paid to the Agent, if the Agent wishes to do so. If and to the extent that the Agent does disburse funds and it later becomes apparent that the Agent did not then receive a payment in an amount equal to the sum paid out, then any Person to whom the Agent made the funds available shall, on demand from the Agent, refund to the Agent the sum paid to that

Person. If, in the opinion of the Agent, the distribution of any amount received by it in such capacity hereunder or under the Loan Documents might involve it in liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received and distributed by the Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to the Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

ss.15.5. Documents. The Agent will forward to each Bank, promptly after the Agent's receipt thereof, a copy of each notice or other document furnished

to the Agent for such Bank hereunder; provided, however, that, notwithstanding the foregoing, the Agent may furnish to the Banks a monthly summary with respect to Letters of Credit issued hereunder in lieu of copies of the related Letter of Credit Applications.

ss.15.6. Non-Reliance on Agent and Other Banks. Each Bank represents that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of the financial condition and affairs of the Borrowers and decision to enter into this Agreement and the other Loan Documents and agrees that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action under this Agreement or any other Loan Document. The Agent shall not be required to keep informed as to the performance or observance by the Borrowers of this Agreement, the other Loan Documents or any other document referred to or provided for herein or therein or by any other Person of any other agreement or to make inquiry of, or to inspect the properties or books of, any Person. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning any person which may come into the possession of the Agent or any of its affiliates. Each Bank shall have access to all documents relating to the Agent's performance of its duties hereunder at such Bank's request. Unless any Bank shall promptly object to any action taken by the Agent hereunder (other than actions to which the provisions of ss.15.8 are applicable and other than actions which constitute gross negligence or willful misconduct by the Agent), such Bank shall conclusively be presumed to have approved the same.

ss.15.7. Resignation of Agent. The Agent may resign at any time by giving 60 days prior written notice thereof to the Banks and the Borrowers. Upon any such resignation, the Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Banks and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a financial institution having a combined capital and surplus in excess of \$150,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the

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retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation, the provisions of this Agreement shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent. Any new Agent appointed pursuant to this ss.15.7 shall immediately issue new Letters of Credit in place of Letters of Credit previously issued by the Agent.

ss.15.8. Action by the Banks, Consents, Amendments, Waivers, Etc. Except as otherwise expressly provided in this ss.15.8, any action to be taken (including the giving of notice) may be taken or any consent or approval required or permitted by the Agreement or any other Loan Document to be given by the Banks may be given, and any term of this Agreement, any other Loan Document or any other instrument, document or agreement related to this Agreement or the other Loan Documents or mentioned therein may be amended and the performance or observance by the Borrowers or any other person of any of the terms thereof and any Default or Event of Default (as defined in any of the above-referenced documents or instruments) may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Required Banks; provided, however, that no such consent or amendment which affects the rights, duties or liabilities of the Agent shall be effective without the written consent of the Agent. Notwithstanding the foregoing, no amendment, waiver or consent shall, do any of the following unless in writing and signed by ALL of the Banks (a) increase the principal amount of the Total Commitment (or subject the Banks to any additional obligations), (b) reduce the principal of or interest on the Notes (including, without limitation, interest on overdue amounts) or any fees payable hereunder, (c) postpone any date fixed for any payment in respect of principal or interest (including, without limitation, interest on overdue amounts) on the Notes, or any fees payable hereunder; (d) change the definition of "Required Banks" or number of

Banks which shall be required for the Banks or any of them to take any action under the Loan Documents; (e) amend this ss.15.8; (f) change the Commitment Percentage of any Bank, except as permitted under ss.19 hereof; or (g) except as otherwise permitted hereunder, release any Collateral.

ss.16. EXPENSES. Whether or not the transactions contemplated herein shall be consummated, the Borrowers hereby promise to (a) reimburse Agent as well as the Agent's affiliates for all reasonable out-of-pocket fees and disbursements (including all reasonable attorneys' fees, collateral evaluation costs and Consulting Engineer's fees), incurred or expended in connection with the preparation, filing or recording, or interpretation of this Agreement, the other Loan Documents, or any amendment, modification, approval, consent or waiver hereof or thereof, or with the enforcement of any Obligations or the satisfaction of any indebtedness of the Borrowers hereunder or thereunder, or in connection with any litigation, proceeding or dispute hereunder in any way related to the credit hereunder and (b) reimburse all reasonable out-of-pocket fees and disbursements (including all reasonable attorneys' fees) incurred by any Bank in connection with the enforcement of or preservation of rights under any of the Loan Documents against the Borrowers or the administration thereof after the occurrence of a Default or Event of Default and (ii) any litigation, proceeding or dispute hereunder in any way related to the credit hereunder. The Borrowers will pay any taxes (including any interest and penalties in respect thereof) other than the Banks' federal and state income taxes, payable on or with respect to the

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transactions contemplated by this Agreement (the Borrowers hereby agreeing to indemnify the Banks with respect thereto).

ss.17. INDEMNIFICATION. The Borrowers agree to indemnify and hold harmless the Banks, as well as the Banks' shareholders, directors, agents, officers, subsidiaries and affiliates, from and against all damages, losses, settlement payments, obligations, liabilities, claims, suits, penalties, assessments, citations, directives, demands, judgments, actions or causes of action, whether statutory created or under the common law, and reasonable costs and expenses incurred, suffered, sustained or required to be paid by an indemnified party by reason of or resulting from the transactions contemplated hereby, except any of the foregoing which result from the gross negligence or willful misconduct of the indemnified party. In any investigation, proceeding or litigation, or the preparation therefor, each Bank shall be entitled to select its own counsel and, in addition to the foregoing indemnity, the Borrowers agree to pay promptly the reasonable fees and expenses of such counsel. In the event of the commencement of any such proceeding or litigation, the Borrowers shall be entitled to participate in such proceeding or litigation with counsel of their choice at their expense, provided that such counsel shall be reasonably satisfactory to the Banks. The covenants of this ss.17 shall survive payment or satisfaction of payment of amounts owing with respect to the Notes or any other Loan Document.

ss.18. SURVIVAL OF COVENANTS, ETC. Unless otherwise stated herein, all covenants, agreements, representations and warranties made herein, in the other Loan Documents or in any documents or other papers delivered by or on behalf of the Borrowers pursuant hereto shall be deemed to have been relied upon by the Banks and the Agent, notwithstanding any investigation heretofore or hereafter made by any of them, and shall survive the making by the Banks of the Loans and the issuance, extension or renewal of any Letters of Credit, as herein contemplated, and shall continue in full force and effect so long as any amount due under this Agreement, any Letter of Credit or the Notes remains outstanding and unpaid or any Bank has any obligation to make any Loans or issue any Letters of Credit hereunder. All statements contained in any certificate or other paper delivered by or on behalf of the Borrowers pursuant hereto or in connection with the transactions contemplated hereby shall constitute representations and warranties by the Borrowers hereunder.

ss.19. SYNDICATION AND PARTICIPATION. It is understood and agreed that each Bank shall have the right to assign at any time its portion of the Total Commitment and interests in the risk relating to any Loans in an amount equal to or greater than \$5,000,000, to additional banks or other financial institutions acceptable to Agent and Parent, which acceptances shall not be unreasonably withheld, so long as (1) BankBoston will be the Agent hereunder, and that each bank or other financial institution which executes and delivers to the Banks and the Borrowers hereunder a counterpart joinder in form and substance satisfactory

to the Banks and such bank or financial institution shall, on the date specified in such counterpart joinder, become a party to this Agreement and the other Loan Documents for all purposes of this Agreement and the other Loan Documents, and its Commitment shall be as set forth in such counterpart joinder. Upon the execution and delivery of such counterpart joinder, (a) the Borrowers shall issue to the bank or other financial institution Notes in the amount of such bank's or other financial institution's Commitment dated the Closing Date or such other date as may be specified by the Agent and

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otherwise completed in substantially the form of the Notes executed and delivered on the Closing Date; (b) the Agent shall distribute to the Borrowers, the Banks and such bank or financial institution a schedule reflecting such changes; (c) this Agreement shall be appropriately amended to reflect (i) the status of such bank or financial institution as a party hereto and (ii) the status and rights of the Banks and Agent hereunder; (d) the Borrowers shall take such action as the Agent may reasonably request to perfect any security interests or mortgages in favor of the Banks, including any bank or financial institution which becomes a party to this Agreement; and (e) the assignee bank or financial institution shall pay a processing and recordation fee of \$2,500 to the Agent. Each Bank shall also have the right to grant participations to one or more banks or other financial institutions in or to all or any part of any Loans owing to such Bank and the Note held by such Bank. The documents evidencing any such participation may provide that, except with the consent of the bank or financial institution that is a party thereto, such Bank will not consent to (a) the reduction in or forgiveness of the stated principal of or rate of interest on or Commitment Fee with respect to the portion of any Loan subject to such participation or assignment, (b) the extension or postponement of any stated date fixed for payment of principal or interest or Commitment Fee with respect to the portion of any Loan subject to such participation or assignment, or (c) the waiver or reduction of any right to indemnification of such Bank hereunder, or (d) except as otherwise permitted hereunder, the release of any Collateral; provided that such participating Bank shall not have more rights than those set forth in this sentence. Notwithstanding the foregoing, no syndication, assignment or participation shall operate to increase the Total Commitment or the amount of the Term Loans hereunder or reduce the sum of (a) the Commitment of any Bank plus (b) the principal amount of such Bank's Term Loans to be an amount less than \$5,000,000 or otherwise alter the substantive terms of this Agreement.

ss.20. PARTIES IN INTEREST. All the terms of this Agreement and the other Loan Documents shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto and thereto; provided, that no Borrower shall assign or transfer its rights hereunder without the prior written consent of the Banks.

ss.21. NOTICES, ETC. Except as otherwise expressly provided in this Agreement, all notices and other communications made or required to be given pursuant to this Agreement or the other Loan Documents shall be in writing and shall be delivered in hand, mailed by United States first-class mail, postage prepaid, or sent by telegraph, telex or telecopier and confirmed by letter, addressed as follows:

(a) if to the Borrowers, at 25 Greens Hill Lane, P.O. Box 866, Rutland, Vermont 05701, Attention: President, telecopy number 802-775-6198;

(b) if to the Agent or BankBoston, at 100 Federal Street, Boston, Massachusetts 02110, USA, Attention: Arthur J. Oberheim, Vice President, telecopy number 617-434-2160;

or such other address for notice as shall have last been furnished in writing to the Person giving the notice.

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Any such notice or demand shall be deemed to have been duly given or made and to have become effective (a) if delivered by hand to a responsible officer of the party to which it is directed, at the time of the receipt thereof

by such officer, (b) if sent by registered or certified first-class mail, postage prepaid, five Business Days after the posting thereof, and (c) if sent by telex or cable, at the time of the dispatch thereof, if in normal business hours in the country of receipt, or otherwise at the opening of business on the following Business Day.

ss.22. MISCELLANEOUS. The rights and remedies herein expressed are cumulative and not exclusive of any other rights which the Banks or Agent would otherwise have. The captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof. This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

ss.23. ENTIRE AGREEMENT, ETC. The Loan Documents and any other documents executed in connection herewith or therewith express the entire understanding of the parties with respect to the transactions contemplated hereby. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in ss.14.8. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. No course of dealing or omission on the part of the Agent or any Bank in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. No notice to or demand upon the Borrowers shall entitle the Borrowers to other or further notice or demand in similar or other circumstances.

ss.24. WAIVER OF JURY TRIAL. EACH OF THE BORROWERS HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR ANY OF THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. EXCEPT AS PROHIBITED BY LAW, EACH BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN THE PRECEDING SENTENCE ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. THE BORROWERS (a) CERTIFY THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OR ANY BANK OF THE AGENT HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH BANK OR THE AGENT WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS AND (b) ACKNOWLEDGE THAT THE AGENT AND THE BANKS HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY BECAUSE OF, AMONG

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OTHER THINGS, THE BORROWERS' WAIVERS AND CERTIFICATIONS CONTAINED HEREIN.

ss.25. GOVERNING LAW. THIS AGREEMENT AND, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED THEREIN, EACH OF THE OTHER LOAN DOCUMENTS ARE CONTRACTS UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SAID COMMONWEALTH (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWERS CONSENT TO THE JURISDICTION OF ANY OF THE FEDERAL OR STATE COURTS LOCATED IN THE COMMONWEALTH OF MASSACHUSETTS IN CONNECTION WITH ANY SUIT TO ENFORCE THE RIGHTS OF ANY BANK OR THE AGENT UNDER THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS.

ss.26. SEVERABILITY. The provisions of this Agreement are severable and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

ss.27. TRANSITIONAL ARRANGEMENTS.

ss.27.1. Prior Credit Agreement Superseded. This Agreement shall amend and supersede and replace the Prior Credit Agreement in its entirety, except as provided in this ss.27. On the Closing Date, the rights and obligations of the parties under the Prior Credit Agreement and the "Notes" as defined therein shall be subsumed within and be governed by this Agreement and the Notes issued hereunder. All "Revolving Credit Loans" or "Letters of Credit", (as defined in

the Prior Credit Agreement) outstanding under the Prior Credit Agreement on the Closing Date shall become Revolving Credit Loans or Letters of Credit hereunder, as the case may be, and "Term Loan (I)" and "Term Loan (II)" (as defined in the Prior Credit Agreement) outstanding under the Prior Credit Agreement on the Closing Date shall become the Series A Term Loan hereunder. The Banks' interest in such Loans and participation in such Letters of Credit will be reallocated on the Closing Date in accordance with each Bank's applicable Commitment Percentage and Series A Term Loan Percentage.

ss.27.2. Interest and Fees Under Prior Credit Agreement. All interest and all commitment, facility and other fees and expenses owing or accruing under or in respect of the Prior Credit Agreement shall be calculated as of the Closing Date (prorated in the case of any fractional periods), and shall be paid on the Closing Date in accordance with the terms of the Prior Credit Agreement.

ss.28. PARI PASSU TREATMENT. Notwithstanding anything to the contrary set forth herein, each payment or prepayment of principal and interest received after the occurrence of an Event of Default hereunder shall be distributed pari passu among the Banks, in accordance with

the aggregate outstanding principal amount of the Obligations owing to each Bank divided by the aggregate outstanding principal amount of all Obligations.

IN WITNESS WHEREOF, the undersigned have duly executed this Amended and Restated Revolving Credit and Term Loan Agreement under seal as of the date first set forth above.

BANKBOSTON, N.A.,  
individually and as Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

KEYBANK NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

USTRUST

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[SIGNATURES CONTINUED ON NEXT PAGE]

BANK OF AMERICA NATIONAL  
TRUST AND SAVINGS ASSOCIATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BHF-BANK AKTIENGESELLSCHAFT

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

COMERICA BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[SIGNATURES CONTINUED ON NEXT PAGE]

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CASELLA WASTE SYSTEMS, INC.

NEW ENGLAND WASTE  
SERVICES OF VERMONT, INC.

NEWBURY WASTE  
MANAGEMENT, INC.

NEW ENGLAND WASTE  
SERVICES OF N.Y., INC.

CASELLA WASTE MANAGEMENT  
OF N.Y., INC.

CASELLA WASTE MANAGEMENT  
OF PENNSYLVANIA, INC.

By: \_\_\_\_\_  
Name: John W. Casella  
Title: President of each of the  
companies listed above

[SIGNATURES CONTINUED ON NEXT PAGE]

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CASELLA WASTE MANAGEMENT,  
INC.

NEW ENGLAND WASTE  
SERVICES, INC.

BRISTOL WASTE MANAGEMENT,  
INC.

SUNDERLAND WASTE  
MANAGEMENT, INC.

NORTH COUNTRY  
ENVIRONMENTAL SERVICES,  
INC.

SAWYER ENVIRONMENTAL  
RECOVERY FACILITIES, INC.

SAWYER ENVIRONMENTAL  
SERVICES

CASELLA T.I.R.E.S., INC.

HIRAM HOLLOW REGENERATION CORP.

By: \_\_\_\_\_  
Name: John W. Casella  
Title: Vice President/Secretary of  
each of the companies listed  
above

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SCHEDULE 1

SUBSIDIARIES OF CASELLA WASTE SYSTEMS, INC.

Parent: Casella Waste Systems, Inc.,  
a Delaware corporation  
25 Greens Hill Lane  
Rutland, Vermont 05701

Subsidiaries: Casella Waste Management, Inc.,  
a Vermont corporation  
25 Greens Hill Lane  
Rutland, Vermont 05701

New England Waste Services, Inc.,  
a Vermont corporation  
25 Greens Hill Lane  
Rutland, Vermont 05701

New England Waste Services of Vermont, Inc.,  
a Vermont corporation  
25 Greens Hill Lane  
Rutland, Vermont 05701

North Country Environmental Services, Inc.,  
a Virginia corporation  
501 South Street, Box E, Suite 302  
Bow, New Hampshire 03304

Newbury Waste Management, Inc.,  
a Vermont corporation  
25 Greens Hill Lane  
Rutland, Vermont 05701

Bristol Waste Management, Inc.,  
a Vermont corporation  
25 Greens Hill Lane  
Rutland, Vermont 05701

Sunderland Waste Management, Inc.,  
a Vermont corporation  
25 Greens Hill Lane  
Rutland, Vermont 05701

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Sawyer Environmental Recovery Facilities, Inc.,  
a Maine Corporation  
358 Emerson Mill Road  
Hampden, Maine 04444

Sawyer Environmental Services,  
a Maine corporation  
358 Emerson Mill Road  
Hampden, Maine 04444

Casella T.I.R.E.S., Inc.,  
a Maine corporation  
25 Greens Hill Lane  
Rutland, Vermont 05701

New England Waste Services of N.Y., Inc.,  
a New York corporation  
Route 9, Saratoga Road  
Fort Edward, New York 12828

Casella Waste Management of N.Y., Inc.,  
a New York corporation  
Route 9, Saratoga Road  
Fort Edward, New York 12828

Casella Waste Management of Pennsylvania, Inc.,  
a Pennsylvania corporation  
25 Greens Hill Lane  
Rutland, Vermont 05701

Hiram Hollow Regeneration Corp.,  
a New York corporation  
100 Washburn Road  
Gansevoort, New York 12831

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#### SCHEDULE 2

##### Banks' Commitment Percentages

BankBoston	24.2105%
KeyBank	21.0526%
UStTrust	13.6842%
Bank of America	15.7895%
Comerica Bank	12.6316%
BHF-Bank Aktiengesellschaft	12.6316%
	-----
	100.0000%

##### Exhibits

Exhibit A -- Form of Revolving Credit Note  
Exhibit B -- Form of Loan and Letter of Credit Request  
Exhibit C -- Form of Term Note  
Exhibit D -- Form of Compliance Certificate  
Exhibit E -- Form of Environmental Compliance Certificate

##### Schedules

Schedule 1 - Subsidiaries of the Parent which are Borrowers  
Schedule 2 - Banks' Commitment Percentages  
Schedule 6.3 - Real Property  
Schedule 6.7 - Litigation  
Schedule 6.11 - Defaults  
Schedule 6.13 - Financing Statements  
Schedule 6.16 - Environmental Compliance  
Schedule 6.18 - Certain Transactions  
Schedule 6.19 - Subsidiaries of the Parent  
Schedule 6.20(b) - Options, Etc.  
Schedule 6.23 - Depository Accounts  
Schedule 7.7 - Insurance  
Schedule 8.1(c) - Existing Debt  
Schedule 8.2(g) - Existing Liens  
Schedule 8.2(k) - Bristol Waste Management Liens  
Schedule 8.3(g) - Existing Investments  
Schedule 27 - Outstanding Amounts on Closing Date



Casella Waste Systems, Inc. and Subsidiaries  
 Computation of Pro Forma Weighted Average Shares Outstanding

	For the Year Ended April 30, 1997 -----	For the Three Months Ended July 31, 1997 -----
Weighted average shares of Class A		
Common Stock outstanding	2,321,176	2,858,141
Weighted average shares of Class B		
Common Stock outstanding	1,000,000	1,000,000
Weighted average shares of Series A Redeemable Preferred		
Stock with warrants exercisable outstanding (1)	516,620	516,620
Weighted average shares of Series B Redeemable Preferred		
Stock with warrants exercisable outstanding (1)	1,294,579	1,294,579
Weighted average shares of Series D Convertible Redeemable		
Preferred Stock outstanding (1)	1,922,169	1,922,169
Dilutive effect of common and common equivalent		
shares issued subsequent to August 7, 1996 computed		
in accordance with the treasury stock method (1)	353,588	151,650
	-----	-----
Pro forma weighted average number of common and		
common equivalent shares outstanding	7,408,132	7,743,159
	=====	=====

(1) Pursuant to SEC Staff Accounting Bulletin No 83, common and preferred stock, and stock options issued at prices below an assumed initial public offering price of \$\_\_\_\_ per share during the twelve month period immediately preceding the initial filing date of the Company's Registration Statement for its initial public offering have been included as outstanding for all periods presented. The dilutive effect of the common and common share equivalents was computed in accordance with the treasury stock method.

Exhibit 21

List of Subsidiaries

Name -----	Jurisdiction of Incorporation -----
Casella Waste Management, Inc.	Vermont
New England Waste Services, Inc.	Vermont
New England Waste Services of Vermont, Inc.	Vermont
Sunderland Waste Management, Inc.	Vermont
Newbury Waste Management, Inc.	Vermont
Bristol Waste Management, Inc.	Vermont
North Country Environmental Services, Inc.	Virginia
Forest Acquisitions, Inc.	New Hampshire
Sawyer Environmental Services, Inc.	Maine
Sawyer Environmental Recovery Facilities, Inc.	Maine
Hiram Hollow Regeneration Corp.	New York
Casella T.I.R.E.S., Inc.	Maine
Casella Waste Management of N.Y., Inc.	New York
New England Waste Services of N.Y., Inc.	New York
Casella Waste Management of Pennsylvania, Inc.	Pennsylvania
North Country Composting Services, Inc.	New Hampshire

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made a part of this prospectus.

Arthur Andersen LLP

Boston, Massachusetts  
September 24, 1997