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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-Q/A

(Mark One)

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

For the quarterly period ended January 31, 2001

OR

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

For the transition period from ---------------- to ---------------

Commission file number 000-23211

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 8, 2001:

| | |
|---|---|
| Class A Common Stock | 22,197,381 |
| Class B Common Stock | 988,200 |

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

## CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
## CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

| ASSETS | April 30, 2000 | January 31, 2001 |
|---|---|---|
| CURRENT ASSETS: | | |

| | | |
|---|---|---|
| Cash and Cash Equivalents | $ 8,864 | $ 27,564 |
| Restricted Cash | 17,609 | 19,413 |
| Accounts Receivable - Trade, net of allowance for doubtful accounts of $5,522 and $3,397 | 78,514 | 76,438 |
| Accounts Receivable - Other | 14,388 | -- |
| Notes Receivable - Officers/Employees | 2,095 | 2,095 |
| Prepaid Expenses | 5,929 | 5,326 |
| Inventory | 10,840 | 7,339 |
| Investments | 5,156 | 7,072 |
| Deferred Income Taxes | 12,730 | 13,533 |
| Assets Held for Sale | 27,775 | 24,843 |
| Other Current Assets | 5,664 | 3,144 |
| Total Current Assets | 189,564 | 186,767 |
| Property, Plant and Equipment, net of accumulated depreciation and amortization of $95,754 and $125,940 | 374,609 | 375,901 |
| Intangible Assets, net | 288,839 | 311,767 |
| Restricted Cash | 10,847 | 9,494 |
| Investment in GreenFiber JV | -- | 17,102 |
| Other Non-Current Assets | 4,562 | 3,207 |
| Total Non-Current Assets | 678,857 | 717,471 |
| | $868,421 | $904,238 |

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

| LIABILITIES AND STOCKHOLDERS' EQUITY | April 30, 2000 | January 31, 2001 |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Current Maturities of Long-Term Debt | $ 8,344 | $ 8,335 |
| Current Maturities of Capital Lease Obligations | 788 | 652 |
| Accounts Payable | 42,693 | 33,814 |
| Accrued Payroll and Related Expenses | 5,521 | 4,747 |
| Accrued Interest | 3,994 | 2,201 |
| Accrued Income Taxes | 3,766 | 5,153 |
| Accrued Closure and Post-Closure Costs, Current Portion | 259 | 171 |
| Deferred Revenue | 2,829 | 9,985 |
| Other Current Liabilities | 14,944 | 11,386 |
| Total Current Liabilities | 83,138 | 76,444 |
| Long-Term Debt, Less Current Maturities | 438,425 | 420,893 |
| Capital Lease Obligations, Less Current Maturities | 3,748 | 5,616 |
| Deferred Income Taxes | 30,948 | 28,449 |
| Accrued Closure and Post-Closure Costs, Less Current Maturities | 12,017 | 16,081 |
| Minority Interests | 16,378 | 19,351 |
| Other Long-Term Liabilities | 9,049 | 13,255 |
| COMMITMENTS AND CONTINGENCIES | | |
| Series A Redeemable, Convertible Preferred Stock, 56 Shares Authorized, Issued and Outstanding, Liquidation Preference of $1,000 per Share | -- | 57,040 |
| STOCKHOLDERS' EQUITY | | |
| Class A Common Stock - Authorized - 100,000 Shares, $0.01 par value Issued and Outstanding - 22,215 and 22,196 Shares as of April 30, 2000 and January, 31 2001, respectively | 222 | 222 |
| Class B Common Stock - Authorized - 1,000 Shares, $0.01 par value 10 Votes per Share, Issued and Outstanding - 988 | 10 | 10 |
| Accumulated Other Comprehensive Income/(Loss) | (305) | 1,730 |
| Additional Paid-In Capital | 270,655 | 270,950 |
| Retained Earnings | 4,136 | (5,803) |
| Total Stockholders' Equity | 274,718 | 267,109 |
| | $ 868,421 | $ 904,238 |

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | January 31, 2000 | January 31, 2001 | January 31, 2000 | January 31, 2001 |
| Revenues | $ 93,004 | $ 120,808 | $ 203,428 | $ 417,133 |
| Operating Expenses: | | | | |
| Cost of Operations | 61,452 | 82,666 | 122,824 | 284,860 |
| General and Administrative | 11,413 | 14,408 | 26,296 | 49,118 |
| Depreciation and Amortization | 10,193 | 13,548 | 25,763 | 42,260 |
| Impairment Loss on expected sale of Tire Business | -- | 13,000 | -- | 13,000 |
| Merger Related Costs | -- | -- | 1,490 | -- |
| | 83,058 | 123,622 | 176,373 | 389,238 |
| Operating Income (Loss) | 9,946 | (2,814) | 27,055 | 27,895 |
| Other (Income)/Expenses, net: | | | | |
| Interest Income | (778) | (1,059) | (881) | (2,406) |
| Interest Expense | 5,553 | 10,610 | 8,865 | 31,678 |
| Equity in Loss from Investments | -- | 5,574 | -- | 6,606 |
| Gain on sale of Bangor Hydro Warrants | -- | (1,526) | -- | (1,526) |
| Minority Interest | -- | 287 | -- | 949 |
| Other (Income), net | (120) | (211) | (625) | (151) |
| Other Expenses, net | 4,655 | 13,675 | 7,359 | 35,150 |
| Income (Loss) from Continuing Operations Before Income Taxes | 5,291 | (16,489) | 19,696 | (7,255) |
| Provision for Income Taxes | 2,433 | (3,571) | 8,733 | 1,394 |
| Net Income (Loss) from Continuing Operations Before Extraordinary Item | 2,858 | (12,918) | 10,963 | (8,649) |
| Loss from Discontinued Operations, net of Income Taxes | (79) | -- | (269) | -- |
| Estimated Loss on Disposal of Discontinued Operations, net of Income Taxes | (1,393) | -- | (1,393) | -- |
| | (1,472) | -- | (1,662) | -- |
| Extraordinary Item - Early Extinguishment of Debt, net of income taxes | (631) | -- | (631) | -- |
| Net Income (Loss) | 755 | (12,918) | 8,670 | (8,649) |
| Preferred Stock Dividend | -- | 702 | -- | 1,290 |
| Net income available to Common Shareholders | 755 | (13,620) | 8,670 | (9,939) |

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

| | Three Months Ended | Nine Months Ended |
|---|---|---|

| | January 31, 2000 | January 31, 2001 | January 31, 2000 | January 31, 2001 |
|---|---|---|---|---|
| Earnings Per Share: | | | | |
| Basic: | | | | |
| Net Income (Loss) from Continuing Operations Before Extraordinary Item and Discontinued Operations | $ 0.14 | $ (0.58) | $ 0.64 | $ (0.43) |
| Loss from Discontinued Operations | $ (0.07) | $ -- | $ (0.10) | $ -- |
| Extraordinary Item | $ (0.03) | $ -- | $ (0.04) | $ -- |
| Net Income per Common Share | $ 0.04 | $ (0.58) | $ 0.50 | $ (0.43) |
| Basic Weighted Average Common Shares Outstanding | 19,777 | 23,182 | 17,264 | 23,190 |
| Diluted: | | | | |
| Net Income (Loss) from Continuing Operations Before Extraordinary Item and Discontinued Operations | $ 0.14 | $ (0.58) | $ 0.62 | $ (0.43) |
| Loss from Discontinued Operations | $ (0.07) | $ -- | $ (0.09) | $ -- |
| Extraordinary Item | $ (0.03) | $ -- | $ (0.04) | $ -- |
| Net Income per Common Share | $ 0.04 | $ (0.58) | $ 0.49 | $ (0.43) |
| Diluted Weighted Average Common Shares Outstanding | 20,264 | 23,182 | 17,758 | 23,190 |

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

## CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

| | Nine Months Ended | |
|---|---|---|
| | January 31, 2000 | January 31, 2001 |
| Cash Flows from Operating Activities: | | |
| Net Income | $ 8,670 | $ (8,649) |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities - | | |
| Depreciation and Amortization | 25,763 | 42,260 |
| Loss from Discontinued Operations | 1,662 | -- |
| Loss on Extraordinary Item | 631 | -- |
| Equity Losses in Non-Consolidated Entities | -- | 6,605 |
| Non-Cash Impairment Loss on expected sale of Tire Business | -- | 13,000 |
| Gain on Sale of Equipment | (300) | (318) |
| Non Cash Directors' Compensation | -- | 30 |
| Minority Interests | 113 | 949 |
| Changes in Assets and Liabilities, net of Effects of Acquisitions - | | |
| Accounts Receivable | (12,878) | 1,915 |
| Accounts Payable | (10,615) | (5,602) |
| Other Current Assets and Liabilities | 17,790 | (8,212) |
| | 22,166 | 50,627 |
| Net Cash Provided by Operating Activities | 30,836 | 41,978 |
| Cash Flows from Investing Activities: | | |
| Acquisitions, Net of Cash Acquired | (34,848) | (7,811) |
| Proceeds from Divestitures | -- | 5,832 |
| Additions to Property and Equipment | (53,301) | (56,988) |
| Proceeds from Sale of Equipment | 1,107 | 1,951 |
| Proceeds from Sale of Bangor-Hydro Warrants | -- | 3,319 |
| Advances to Unconsolidated Subsidiaries | -- | (7,883) |
| Other | (3,718) | (4,606) |

| | | |
|---|---|---|
| Net Cash Used in Investing Activities | (90,760) | (66,186) |
| Cash Flows from Financing Activities: | | |
| Proceeds from Long-Term Borrowings | 354,290 | 48,090 |
| Principal Payments on Long-Term Debt | (289,169) | (62,703) |
| Proceeds from Issuance of Common Stock | -- | 1,018 |
| Proceeds from Equity Transactions of Majority-Owned Subsidiary | -- | 1,506 |
| Proceeds from Exercise of Stock Options | 754 | 256 |
| Net Proceeds from the Issuance of Series A Redeemable, Convertible Preferred Stock | -- | 54,741 |
| Net Cash Provided by Financing Activities | 65,875 | 42,908 |
| Net Increase in Cash and Cash Equivalents | 5,951 | 18,700 |
| Cash and Cash Equivalents, Beginning of Period | 4,232 | 8,864 |
| Cash and Cash Equivalents, End of Period | $ 10,183 | $ 27,564 |

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

| | Nine Months Ended | |
|---|---|---|
| | January 31, 2000 | January 31, 2001 |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash Paid During the Year for - | | |
| Interest | $ 7,984 | $ 33,257 |
| Income Taxes, net of refunds | $ 1057 | $ 1,100 |
| Supplemental Disclosures of Non-Cash Investing and Financing Activities: | | |
| Summary of Entities Acquired in Purchase Business Combinations | | |
| Fair Market Value of Assets Acquired | $ 427,340 | $ 21,078 |
| Common Stock Issued | (111,860) | |
| Notes Receivable Exchanged for Assets | -- | (13,263) |
| Cash Paid, net | (34,848) | (7,811) |
| Liabilities Assumed and Notes Receivable Forgiven to Seller | $ 280,632 | $ 4 |

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All amounts in thousands, except per share amounts)

The condensed consolidated balance sheets of Casella Waste Systems, Inc. and Subsidiaries (the "Company") as of April 30, 2000 and January 31, 2001, the consolidated statements of operations for the three and nine months ended January 31, 2000 and 2001 and the condensed consolidated statements of cash flows for the nine months ended January 31, 2000 and 2001 are unaudited. In the opinion of management, such financial statements include all adjustments (which include normal recurring and nonrecurring adjustments) necessary for a fair presentation of financial position, results of operations and cash flows for the periods presented. The consolidated financial statements presented herein should be read in connection with the Company's audited consolidated financial statements as of and for the twelve months ended April 30, 2000. These were included as part of the Company's Annual Report on Form 10-K (the "Annual Report").

1. BUSINESS COMBINATIONS

During the nine months ended January 31, 2001, the Company acquired 11 solid waste hauling operations in transactions accounted for as purchases. These transactions were in exchange for consideration of approximately $7.8 million in cash to sellers and the partial settlement of a note receivable in the amount of $13.3 million. The operating results of these businesses are included in the Consolidated Statements of Operations from the dates of acquisition. The purchase prices have been allocated to the net assets acquired based on fair values at the dates of acquisition with the residual amounts allocated to goodwill.

The following unaudited pro forma combined information shows the results of the Company's operations as though each of the acquisitions had been completed as of May 1, 1999.

| | Nine Months Ended January 31, 2000 | Nine Months Ended January 31, 2001 |
|---|---|---|
| Revenues | $ 401,971 | $ 419,210 |
| Operating Income | $ 43,971 | $ 28,265 |
| Net Income (Loss), continuing operations | $ 11,497 | $ (8,603) |
| Preferred Stock Dividend | $ -- | $ 1,290 |
| Net Income available to Common Shareholders | $ 11,497 | $ (9,893) |
| Diluted Income per Share | $ 0.54 | $ (0.43) |
| Weighted Average Diluted Shares Outstanding | 21,282 | 23,190 |

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, 1999 or the results of future operations of the Company. Furthermore, the pro forma results do not give effect to all cost savings or incremental costs that may occur as a result of the integration and consolidation of the completed acquisitions.

Effective August 1, 2000, the Company and Louisiana-Pacific Corp. combined their respective cellulose insulation businesses into an equally owned joint venture. The Company contributed the operating assets of its cellulose insulation manufacturing business (with an aggregate book value of $23.0 million) to the new company, known as U. S. GreenFiber LLC. The Company accounts for its 50% interest using the equity basis.

2. COMMITMENTS AND CONTINGENCIES

Newbury Waste Management, Inc., a wholly owned subsidiary, owned and operated a landfill that was capped and closed in 1993. The Agency of Natural Resources for the State of Vermont ("ANR") has directed the Company to install a synthetic cap on the Newbury landfill, and the Company has withdrawn its request for reconsideration. The cost to install the synthetic cap is estimated to be approximately $900,000.

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

3. ENVIRONMENTAL LIABILITIES

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

4. SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK

On August 11, 2000, the Company issued 55,750 shares of Series A Redeemable Convertible Preferred Stock for $1,000 per share. These shares are convertible into Class A common Stock, at the option of the Holders, at $14 per share. Dividends are payable at an annual rate of 5%. The Company has the option to redeem the preferred stock for cash at any time after three years at a price giving the holder a defined yield, but must redeem the shares by the seventh Anniversary date at liquidation value, plus accrued but unpaid dividends, if any.

5. EARNINGS PER SHARE

The following table reconciles the number of common shares outstanding at January 31 of each period indicated to the weighted average number of common shares outstanding and the weighted average number of common and potentially dilutive common shares outstanding for the respective three month and nine month periods for the purpose of calculating basic and dilutive earnings per common share:

| | Three Months Ended January 31, | | Nine Months Ended January 31, | |
|---|---|---|---|---|
| | 2000 | 2001 | 2000 | 2001 |
| Number of Shares Outstanding, End of Period: | | | | |
| Class A Common Stock | 22,213 | 22,196 | 22,213 | 22,196 |
| Class B Common Stock | 988 | 988 | 988 | 988 |
| Effect of Weighted Average shares Outstanding during period | (3,424) | (2) | (5,937) | 6 |
| Basic Shares Outstanding | 19,777 | 23,182 | 17,265 | 23,190 |
| Impact of Potentially Dilutive Securities | 487 | 0 | 493 | 0 |
| Diluted Shares Outstanding | 20,264 | 23,182 | 17,758 | 23,190 |

For the three and nine months ended January 31, 2001, 9,677 and 7,835 potentially dilutive common shares, respectively, were excluded from the calculation of dilutive shares outstanding because their impact was anti-dilutive.

6. SEGMENT REPORTING

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

The Company classifies its operations into Eastern, Central, Western, Residential Recycling, Commercial Recycling, and Other. Other consists of

Corporate activities, the Company's investment in GreenFiber LLC and assets held for sale.The Company's revenues in the Eastern, Central and Western segments are derived mainly from the collection, transfer, recycling and disposal of non-hazardous solid waste. Disposal includes waste-to-energy plants and landfills. The Company's revenues in the Residential Recycling, Commercial Recycling and Energy and Waste Processing segments are derived from integrated waste handling services, including processing and recycling of wood, paper, metals, plastics and glass, municipal solid waste processing and disposal, specialty waste disposal, ash residue recycling, brokerage of recycled materials and the manufacturing of finished products using recycled materials. Any other activities in which the Company is engaged are not material to the total results of operations of the Company; these activities are reflected within the reporting structure outlined above.

| | Eastern | Central | Western | Residential Recycling | Commercial Recycling | Energy & Waste Processing |
|---|---|---|---|---|---|---|
| Three Months Ended January 31, 2001 | | | | | | |
| Outside Revenue | $ 40,246 | $ 22,851 | $ 15,635 | $ 9,581 | $ 23,802 | $ 3,977 |
| Inter-segment Revenue | $ 9,668 | $ 9,662 | $ 3,705 | $ 3,860 | $ 5,995 | $ 29 |
| Net Income/(Loss) | $ 1,434 | $ 3,192 | $ 561 | $ (185) | $ (1,077) | $ (740) |
| Total Assets | $389,275 | $137,647 | $115,533 | $ 90,642 | $ 45,166 | $ 22,565 |

| | Other | Eliminations | Total |
|---|---|---|---|
| Outside Revenue | $ 4,027 | $ 689 | $120,808 |
| Inter-segment Revenue | $ -- | $(32,919) | $ -- |
| Net Income/(Loss) | $(16,104) | $ 1 | $(12,918) |
| Total Assets | $117,117 | $(13,707) | $904,238 |

| | Eastern | Central | Western | Residential Recycling | Commercial Recycling | Energy & Waste Processing |
|---|---|---|---|---|---|---|
| Three Months Ended January 31, 2000 | | | | | | |
| Outside Revenue | $ 24,574 | $ 23,089 | $ 14,659 | $ 6,637 | $ 16,067 | $ 3,155 |
| Inter-segment Revenue | $ 2,936 | $ 9,016 | $ 2,764 | $ -- | $ 4,135 | $ 40 |
| Net Income/(Loss) | $ 1,369 | $ 2,978 | $ 1,162 | $ 925 | $ 681 | $ 250 |
| Total Assets | $309,075 | $116,897 | $111,596 | $ 45,731 | $ 41,270 | $ 39,680 |

| | Other | Eliminations | Total |
|---|---|---|---|
| Outside Revenue | $ 7,180 | $ (2,357) | $ 93,004 |
| Inter-segment Revenue | $ 314 | $(19,205) | $ -- |
| Net Income/(Loss) | $ (6,610) | $ -- | $ 755 |
| Total Assets | $ 93,046 | $ -- | $757,295 |

| | Eastern | Central | Western | Residential Recycling | Commercial Recycling | Energy & Waste Processing |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| Nine Months Ended January 31, 2001 | | | | | | |
| Outside Revenue | $126,125 | $ 76,572 | $ 50,777 | $ 28,584 | $ 84,477 | $ 14,266 |
| Inter-segment Revenue | $ 31,422 | $ 30,580 | $ 11,406 | $ 15,318 | $ 22,902 | $ 166 |
| Net Income/(Loss) | $ 3,240 | $ 12,523 | $ 3,166 | $ 1,031 | $ (1,286) | $ (589) |
| Total Assets | $389,275 | $137,647 | $115,533 | $ 90,642 | $ 45,166 | $ 22,565 |

| | Other | Eliminations | Total |
|---|---|---|---|
| Outside Revenue | $ 27,184 | $ 9,148 | $417,133 |
| Inter-segment Revenue | $ 610 | $(112,404) | $ -- |
| Net Income/(Loss) | $(26,957) | $ 223 | $ (8,649) |
| Total Assets | $117,117 | $(13,707) | $904,238 |

| | Eastern | Central | Western | Residential Recycling | Commercial Recycling | Energy & Waste Processing |
|---|---|---|---|---|---|---|
| Nine Months Ended January 31, 2000 | | | | | | |
| Outside Revenue | $ 50,036 | $ 74,915 | $ 47,314 | $ 6,637 | $ 16,067 | $ 3,155 |
| Inter-segment Revenue | $ 5,671 | $ 27,800 | $ 9,717 | $ -- | $ 4,135 | $ 40 |
| Net Income/(Loss) | $ 2,017 | $ 14,171 | $ 4,465 | $ 925 | $ 681 | $ 250 |
| Total Assets | $309,075 | $116,897 | $111,596 | $ 45,731 | $ 41,270 | $ 39,680 |

| | Other | Eliminations | Total |
|---|---|---|---|
| Outside Revenue | $ 7,661 | $ (2,377) | $203,428 |
| Inter-segment Revenue | $ 314 | $(47,677) | $ -- |
| Net Income/(Loss) | $(13,839) | $ -- | $ 8,670 |
| Total Assets | $ 93,046 | $ -- | $757,295 |

## 7. RECLASSIFICATION

Certain amounts for the prior period have been reclassified to conform to the presentation adopted in the current year.

## 8. SUBSEQUENT EVENTS

Effective March 1, 2001, the Company acquired the remaining 16.25% minority interest in its majority owned subsidiary Maine Energy Recovery Company ("Maine Energy"), and sold its majority interest in the Penobscot Energy Recovery Company ("PERC"). Net cash proceeds for the two transactions amounted to $12 million.

On March 6, 2001 the Company signed a purchase and sale agreement with an investor group to sell its scrap tire recycling business. The transaction is subject to conditions specified in the purchase and sale agreement, including the satisfactory completion of the purchaser's due diligence review.

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

Casella Waste Systems, Inc. (" the Company") is a regional, integrated solid waste services company that provides collection, transfer, disposal and recycling services, generates steam and manufactures finished products utilizing recyclable materials primarily throughout the eastern portion of the United States and parts of Canada. The Company markets recyclable metals, aluminum, plastics, paper and corrugated cardboard processed at its facilities as well as recyclables purchased for resale from third parties. The Company generates electricity under its contracts with its two wholly owned subsidiaries, Maine Energy and Timber Energy Recovery, Inc. ("TERI").

As of March 8, 2000, the Company owned and/or operated five Subtitle D landfills, two landfills permitted to accept construction and demolition materials, 30 transfer stations, 44 recycling processing facilities, 39 solid and liquid waste collection divisions, 5 power generation facilities, 7 tire recycling facilities, as well as its interest in another tire processing and power generation facility, and its interest in a cellulose insulation joint venture. The tire recycling facilities have been classified as assets held for sale.

From May 1, 1999 through April 30, 2000, the Company acquired 38 solid waste collection, transfer and disposal operations, as well as KTI, Inc. ("KTI") in December 1999. Between May 1, 2000 and January 31, 2001, the Company acquired an additional 11 such businesses, all of which were accounted for under the purchase method of accounting for business combinations. Under the rules of purchase accounting the acquired companies' revenues and results of operations have been consolidated from the actual dates of the acquisitions and materially affect the period-to-period comparisons of the Company's historical results of operations.

During the third quarter of 2001, the Company divested 3 non-core operating assets. These consist of a hauling operation in Northwest Pennsylvania, a plastics brokerage business located in Maryland and a hazardous waste remediation business in Maine.

This Form 10-Q and other reports, proxy statements, and other communications to stockholders, as well as oral statements by the Company's officers or its agents, may contain forward-looking statements within the meaning of Section 27A of the Securities Act and section 21E of the Securities Exchange Act, with respect to, among other things, the Company's future revenues, operating income, or earnings per share. Without limiting the foregoing, any statements contained in this Quarterly Report that are not statements of historical fact may be deemed to be forward-looking statements, and the words "believes", "anticipates", "plans", "expects", and similar expressions are intended to identify forward-looking statements. There are a number of factors of which the Company is aware that may cause the Company's actual results to vary materially from those forecasted or projected in any such forward-looking statements, certain of which are beyond the Company's control. These factors include, without limitation, those outlined below in the section entitled "Certain Factors That May Affect Future Results". The Company's failure to successfully address any of these factors could have a material adverse effect on the Company's results of operations.

## General

The Company's revenues are attributable primarily to fees charged to customers for solid waste collection and disposal, landfill, waste-to-energy, transfer and recycling services. The Company derives a substantial portion of its collection revenues from commercial, industrial and municipal services that are generally performed under service agreements or pursuant to contracts with municipalities. The majority of the Company's residential collection services are performed on a subscription basis with individual households. Landfill, waste- to-energy facility 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 these customers are under one to three-year disposal contracts, with most having clauses for annual cost of living increases. Recycling revenues include the sale of recyclable commodities, operating and maintenance contracts of recycling facilities for municipal customers, and recyclable brokering 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 decrease in the Company's collection revenues as a percentage of revenues in the current fiscal year is primarily attributable to the effects of the KTI acquisition. Significant recycling, finished products and brokerage revenues were added through that acquisition. The increase in the Company's landfill/disposal facilities revenues as a percentage of revenue in the first quarter of fiscal 2001 is primarily attributable to the effects of the KTI acquisition.

| | Three Months Ended January 31, | | Nine Months Ended January 31, | |
|---|---|---|---|---|
| | 2000 | 2001 | 2000 | 2001 |
| Collection | 43.6% | 41.4% | 62.4% | 38.1% |
| Landfill/ Disposal Facilities | 17.8 | 19.6 | 13.9 | 17.7 |
| Transfer | 4.1 | 5.5 | 5.5 | 5.9 |
| Recycling | 15.5 | 16.7 | 8.1 | 18.6 |
| Brokerage | 9.0 | 16.0 | 4.1 | 13.3 |
| Other | 10.0 | 0.8 | 6.0 | 6.4 |
| Total Revenue | 100.0% | 100.0% | 100.0% | 100.0% |

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

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

Depreciation and amortization expense includes depreciation of plant and equipment over the estimated useful life of the assets using the straight-line method, amortization of landfill airspace assets under the units-of-production method, and the amortization of goodwill and other intangible assets using the straight-line method. The amount of landfill amortization expense related to airspace consumption can vary materially from landfill to landfill depending upon the purchase price and landfill site and cell development costs. The Company depreciates all fixed and intangible assets, excluding non-depreciable land, down to a zero net book value, and does not apply a salvage value to any of its fixed assets.

The Company capitalizes certain direct landfill development costs, such as engineering, permitting, legal, construction and other costs directly associated with expansion of existing landfills. Additionally, the Company also capitalizes certain third party expenditures related to pending acquisitions, such as legal and engineering.

The Company will have material financial obligations relating to closure and post-closure costs of its existing landfills and any disposal facilities, which it may own or operate in the future. The Company has provided and will in the future provide accruals for future financial obligations relating to closure and post-closure costs of its landfills (generally for a term of 30 years after final closure of a landfill) based on engineering estimates of consumption of permitted landfill airspace over the useful life of any such landfill. There can be no assurance that the Company's financial obligations for closure or post-closure costs will not exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds.

The Company routinely evaluates all such capitalized costs, and expenses those costs related to projects not likely to be successful. Internal and indirect landfill development and acquisition costs, such as executive and corporate overhead, public relations and other corporate services, are expensed as incurred.

## Results of Operations

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

| Three Months Ended January 31, | | Nine Months Ended January 31, | |
|---|---|---|---|
| 2000 | 2001 | 2000 | 2001 |

| | | | | |
|---|---|---|---|---|
| Revenues | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of Operations | 66.1 | 68.4 | 60.4 | 68.3 |
| General and Administrative | 12.3 | 11.9 | 12.9 | 11.8 |
| Depreciation and Amortization | 10.9 | 11.2 | 12.7 | 10.1 |
| Impairment Loss on expected Sale of Tire Business | 0.0 | 10.8 | 0.0 | 3.1 |
| Merger Related Costs | 0.0 | 0.0 | 0.7 | 0.0 |
| Operating Income (Loss) | 10.7 | (2.3) | 13.3 | 6.7 |
| Interest Expense, net | 5.1 | 7.9 | 3.9 | 7.0 |
| Equity in Loss from Investments | 0.0 | 4.6 | 0.0 | 1.6 |
| Gain on sale of warrants | 0.0 | (1.2) | 0.0 | (0.4) |
| Minority Interest | 0.0 | 0.2 | 0.0 | 0.2 |
| Other (Income)/Expense | 0.0 | (0.2) | (0.3) | 0.0 |
| Provision for Income Taxes | 2.6 | (2.9) | 4.3 | 0.3 |
| Net Income (Loss) Before Discontinued Operations | 3.0 | (10.7) | 5.4 | (2.0) |
| Loss from Discontinued Operations | 0.0 | 0.0 | 0.1 | 0.0 |
| Estimated loss on disposal of Discontinued Operations | 1.5 | 0.0 | 0.7 | 0.0 |
| Extraordinary Item | 0.7 | 0.0 | 0.3 | 0.0 |
| Net Income (Loss) | 0.8% | (10.7)% | 4.3% | (2.0)% |
| Adjusted EBITDA* | 21.6% | 19.4% | 26.0% | 19.8% |

* See discussion and computation of adjusted EBITDA below.

Three Months Ended January 31, 2001:

REVENUES:
Revenues increased $27.8 million, or 29.9% to $120.8 million in the quarter ended January 31, 2001 from $93.0 million in the quarter ended January 31, 2000. Approximately $22.5 million of the increase was attributable to the impact of businesses acquired throughout fiscal 2000 and fiscal 2001, including KTI, which was acquired in December 1999. The balance of the increase of $5.3 million was attributable to internal volume and price growth, partially offset by lower average recyclable commodity prices in the current quarter as compared to 2000.

COST OF OPERATIONS:
Cost of operations increased $21.2 million or 34.5% to $82.7 million in the quarter ended January 31, 2001 from $61.5 million in the quarter ended January 31, 2000. Cost of operations as a percentage of revenues increased to 68.4% in the quarter ended January 31, 2001 from 66.1% in the prior year. The increase in cost of operations as a percentage of revenues was primarily the result of acquiring KTI's recyclable brokerage operations, which carry a high cost of operations as a percentage of revenues (approximately 90%). Brokerage comprised approximately 16.0% of the Company's revenues in the current quarter, versus 9.0% in the prior year.

GENERAL AND ADMINISTRATIVE:
General and administrative expenses increased $3.0 million, or 26.2% to $14.4 million in the quarter ended January 31, 2001 from $11.4 million in the quarter ended January 31, 2000, but decreased as a percentage of revenues to 11.9% in the quarter ended January 31, 2001 from 12.3% in the quarter ended January 31, 2000. The increase in general and administrative expenses was primarily the result of acquiring KTI.

DEPRECIATION AND AMORTIZATION:
Depreciation and amortization expenses increased $3.3 million, or 32.4%, to $13.5 million in the quarter ended January 31, 2001 from $10.2 million in the quarter ended January 31, 2000. Depreciation and amortization expenses as a percentage of revenues increased to 11.2% in the quarter ended January 31, 2001 from 10.9% in the quarter ended January 31, 2000. The increase in depreciation and amortization expense principally resulted from the Company's acquisition of KTI.

IMPAIRMENT LOSS ON EXPECTED SALE OF TIRE BUSINESS
During the third quarter 2001, the Company wrote down its Tire business to estimated realizable value.

INTEREST EXPENSE, NET:
Net interest expense increased $4.8 million, or 100.0% to $9.6 million in the quarter ended January 31, 2001 from $4.8 million in the quarter ended January 31, 2000. Interest expense, as a percentage of revenues, increased to 7.9% in the quarter ended January 31, 2001 from 5.1% in the quarter ended January 31, 2000. This increase is primarily attributable to three factors: (i) a higher average debt balance in the current fiscal quarter, versus last year; and (ii) the Company closed a new $450 million senior credit facility in December 1999 that raised the Company's borrowing cost by approximately 250 basis points; and (iii) the Company entered into new interest rate swap agreements that increased current rates in order to fix the interest rates on a portion its debt.

EQUITY IN LOSS FROM INVESTMENTS:
These amounts arise from the Company's 35% ownership of Oakhurst Company, Inc., which was acquired as part of KTI. Oakhurst Company, Inc. owns 37.5% of New Heights Recovery and Power LLC ("New Heights"). The Company also has a direct ownership in New Heights of 12.5%. These investments are a part of the Tires business and are classified as assets held for sale. In addition, effective August 1, 2000 the Company has a 50% interest in GreenFiber. The Company's share of GreenFiber's income in the current period was more than offset by the restructuring charge and transition costs incurred in setting up the new business and closing redundant plants, leading to a net loss for the period.

GAIN ON SALE OF BANGOR HYDRO WARRANTS
The Company sold one-third of its holding of Bangor Hydro warrants in Q3 2001 for $3.3 million in cash.

MINORITY INTEREST:
This amount represents the minority owners' interest in the Company's majority owned subsidiaries, Maine Energy Recovery Company LP, Penobscot Energy Recovery Company LP and American Ash Recycling of Tennessee, Ltd. Effective March 1, 2001, the Company acquired the 16.25% minority interest in Maine Energy Recovery Company ("Maine Energy"), and sold its majority interest in the Penobscot Energy Recovery Company ("PERC"). Net cash proceeds for the two transactions amounted to $12 million.

OTHER (INCOME):
Other (income) increased to $(0.2) million income in the quarter ended January 31, 2001 from $(0.1) million revenue in the quarter ended January 31, 2000. The other income in fiscal 2000 is primarily attributable to gains on sale of fixed assets, while losses on sale were incurred in 2001.

PROVISION FOR INCOME TAXES:
Provision for income taxes decreased $6.0 million, or 246.7%, to a credit of $3.6 million in the quarter ended January 31, 2001 from $2.4 million expense in the quarter ended January 31, 2000, and as a percentage of revenues, decreased to a credit of 2.9% from 2.6% expense. The effective tax rate decreased to 21.7% credit in the quarter ended January 31, 2001 from 46.0% expense in the quarter ended January 31, 2000. The decrease is primarily due to the tax benefit of the loss in the period.

Nine Months Ended January 31, 2001:

REVENUES:
Revenues increased $213.7 million, or 105.1% to $417.1 million in the nine months ended January 31, 2001 from $203.4 million in the nine months ended January 31, 2000. Approximately $199.5 million of the increase was attributable to the impact of businesses acquired throughout fiscal 1999 and fiscal 2000, including KTI, which was acquired in December 1999. The balance of the increase of $14.2 million was attributable to internal volume and price growth, including the net positive impact of higher average recyclable commodity prices in the current nine months compared to the same period last year.

COST OF OPERATIONS:
Cost of operations increased $162.0 million or 131.9% to $284.8 million in the nine months ended January 31, 2001 from $122.8 million in the nine months ended January 31, 2000. Cost of operations as a percentage of revenues increased to 68.3% in the nine months ended January 31, 2001 from 60.4% in the prior year. The increase in cost of operations as a percentage of revenues was primarily the

result of acquiring KTI's recyclable brokerage operations, which carry high cost of operations as a percentage of revenues (approximately 90%). Brokerage comprised approximately 13.3% of the Company's revenues in the current nine months, versus 4.1% in the prior year.

GENERAL AND ADMINISTRATIVE:
General and administrative expenses increased $22.8 million, or 86.8% to $49.1 million in the nine months ended January 31, 2001 from $26.3 million in the nine months ended January 31, 2000, but decreased as a percentage of revenues to 11.8% in the nine months ended January 31, 2001 from 12.9% in the nine months ended January 31, 2000. The decrease in general and administrative expenses as a percentage of revenues was primarily the result of acquiring KTI's recyclable brokerage operations, which carry low general and administrative costs as a percentage of revenues (approximately 4%). The general and administrative cost savings from acquiring KTI also contributed to the lower general and administrative expenses as a percentage of revenues in fiscal 2001. These savings were partially offset by unanticipated legal fees on outstanding litigation against KTI, which the Company assumed in connection with the acquisition of KTI.

DEPRECIATION AND AMORTIZATION:
Depreciation and amortization expenses increased $16.5 million, or 64.0%, to $42.3 million in the nine months ended January 31, 2001 from $25.8 million in the nine months ended January 31, 2000. Depreciation and amortization expenses as a percentage of revenue decreased to 10.1% in the nine months ended January 31, 2001 from 12.7% in the nine months ended January 31, 2000. The decrease in depreciation and amortization expenses as a percentage of revenues resulted from the Company's acquisition of KTI. KTI operations carry lower depreciation expense as a percentage of revenues (approximately 7%) than the Company's core solid waste assets (approximately 14%).

MERGER-RELATED COSTS:
Merger-related costs are comprised of legal, engineering, accounting and other costs associated with the two pooling of interests transactions consummated during the nine months ended January 31, 2000. No pooling transactions were closed in the nine months ended January 31, 2001, resulting in a decrease of $1.5 million, or 0.7% as a percentage of revenues.

INTEREST EXPENSE, NET:
Net interest expense increased $21.3 million, or 266.3% to $29.3 million in the nine months ended January 31, 2001 from $8.0 million in the nine months ended January 31, 2000. Interest expense, as a percentage of revenues, increased to 7.0% in the nine months ended January 31, 2001 from 3.9% in the nine months ended January 31, 2000. This increase is primarily attributable to three factors: (i) a higher average debt balance in the current fiscal nine months, versus last year; (ii) the Company closed a new $450 million senior credit facility in December 1999 that raised the Company's borrowing cost by approximately 250 basis points; and (iii) the Company entered into new interest rate swap agreements that increased current rates in order to fix the interest rates on a portion of our debt.

EQUITY IN LOSS FROM INVESTMENTS:
These amounts arise from the Company's 35% ownership of Oakhurst Company, Inc., which was acquired as part of KTI. Oakhurst Company, Inc. owns 37.5% of New Heights Recovery and Power LLC ("New Heights"). The Company also has a direct ownership in New Heights of 12.5%. These investments are a part of the Tires business and are classified as assets held for sale. In addition, effective August 1, 2000 the Company has a 50% interest in GreenFiber. The Company's share of GreenFiber's income in the period was more than offset by the restructuring charge and transition costs incurred in setting up the new business and closing redundant plants, leading to a net loss for the period.

MINORITY INTEREST:
This amount represents the minority owners' interest in the Company's majority owned subsidiaries, Maine Energy Recovery Company LP, Penobscot Energy Recovery Company LP and American Ash Recycling of Tennessee, Ltd. Effective March 1, 2001, the Company acquired the 16.25% minority interest in Maine Energy Recovery Company ("Maine Energy"), and sold its majority interest in the Penobscot Energy Recovery Company ("PERC"). Net cash proceeds for the two transactions amounted to $12 million.

OTHER (INCOME):
Other (income) decreased to ($0.1) million income in the nine months ended January 31, 2001 from $(0.6) million income in the nine months ended January 31,

2000. The other income in both periods is primarily attributable to gains on sale of fixed assets.

PROVISION FOR INCOME TAXES:
Provision for income taxes decreased $7.3 million, or 84.0%, to $1.4 million in the nine months ended January 31, 2001 from $8.7 million in the nine months ended January 31, 2000, and as a percentage of revenues, decreased to 0.3% from 4.3%. The expense in the period, despite the loss, is due primarily to the non-deductible goodwill from the KTI acquistion.

## Liquidity and Capital Resources

The Company's business is capital intensive. The Company's capital requirements include acquisitions, fixed asset purchases and capital expenditures for landfill development and cell construction, as well as site and cell closure. The Company had positive net working capital of $84.3 million and $110.3 million at April 30, 2000 and at January 31, 2001, respectively.

The Company has a $448.5 million revolving line of credit with a group of banks for which FleetBoston is acting as agent. This line of credit consists of a $300 million Senior Secured Revolving Credit Facility ("Revolver") and a $148.5 million Senior Secured Delayed Draw Term "B" Loan ("Term Loan"). This line of credit is secured by all assets of the Company, including the Company's interest in the equity securities of its subsidiaries. The Revolver matures in December 2004 and the Term Loan matures in December 2006. Funds available to the Company under the line of credit were $44 million at January 31, 2001.

On August 15, 2000 the Company issued 55,750 shares of Series A Redeemable Convertible Preferred Stock to Berkshire Partners. The preferred stock is convertible into the Company's Class A Common Stock at $14.00 per share. The Company received proceeds, net of $1.0 million in related expenses, of $54.8 million.

Net cash provided by operating activities amounted to $42.0 million for the nine months ended January 31, 2001 compared to $30.8 million for the same period of the prior fiscal year. The increase was primarily due to higher depreciation and amortization as well as non-cash losses from the expected sale of Tires and equity investments, partially offset by lower net income.

Net cash used in investing activities was $66.2 million for the nine months ended January 31, 2001, down from $90.7 million for the same period last year, mainly due to the reduction in the acquisition program. The amount invested reflects mainly the Company's capital needs for additions to plant and equipment and acquisitions, reflecting the Company's continued growth by acquisition and development of revenue producing assets. The Company's cash needs to fund investing activities are expected to decline over the remainder of the fiscal year as capital expenditures are primarily incurred during the early part of the fiscal year and acquisitions have been curtailed. In addition, planned divestitures, when they close, will generate cash, which are required to be applied against the credit facility.

Net cash provided by financing activities was $42.9 million for the nine months ended January 31, 2001 compared to $65.9 million for the same period of the prior fiscal year. This decrease primarily reflects net repayments on the Company's credit facility versus a draw down in the same period last year, offset by the net proceeds of the issuance of the Series A Redeemable Convertible Preferred Stock in the second quarter 2001.

## Seasonality

The Company's transfer and disposal revenues have historically been lower during the months of November through March. This seasonality reflects the lower volume of waste during the late fall, winter and early spring months primarily because: (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 residential recycling segment experiences increased volumes of newspaper in

November and December due to increased newspaper advertising and retail activity during the holiday season. Additionally, the facilities located in Florida experience increased volumes of recyclable materials during the winter months, followed by decreases in the summer months in connection with seasonal changes in population.

The commercial recycling segment experiences increased quantities of newspaper and corrugated containers in November and December, followed by reduced quantities in January and decreased quantities of newspaper and corrugated containers in July and August, followed by increased quantities in September, due to increased newspaper advertising and retail activity during the holiday season.

The insulation business experiences lower sales in November and December because of lower production of manufactured housing due to holiday plant shutdowns.

## 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 primarily in the eastern 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.

## New Accounting Pronouncements

In June 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133". SFAS No. 137 amends FASB Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", by deferring the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company will adopt SFAS No. 133 beginning May 1, 2001. The Company has yet to quantify the impacts of adopting SFAS No. 133 on its financial statements and has not determined the method of adoption. However, SFAS No. 133 could increase volatility in earnings and other comprehensive income.

## Adjusted EBITDA

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

| | Three Months Ended January 31, | | Nine Months Ended January 31, | |
|---|---|---|---|---|
| | 2000 | 2001 | 2000 | 2001 |
| Operating Income | $ 9,946 | $ (2,814) | $ 27,055 | $ 27,895 |
| Depreciation and Amortization | 10,193 | 13,548 | 25,763 | 42,260 |
| Impairment loss on expected sale of Tires | 0 | 13,000 | 0 | 13,000 |
| Minority Interest | 0 | (287) | 0 | (949) |
| Adjusted EBITDA | $ 20,139 | $ 23,447 | $ 52,818 | $ 82,206 |

| | | | | |
|---|---|---|---|---|
| EBITDA as a percentage of Revenues | 21.6% | 19.4% | 26.0% | 19.8% |

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

Interest rate volatility

The interest rate on $170 million of long-term debt has been fixed through four interest rate swaps. The company has interest rate risk relating to approximately $200 million of long-term debt at January 31, 2001. The average interest rate on the variable rate portion of long-term debt was 9.64% for the third fiscal quarter. Should the average interest rate on the variable rate portion of long-term debt change by 10%, it would have an approximate interest expense change of $0.6 million for the quarter reported.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

The following important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Form 10-Q and presented elsewhere by management from time to time.

WE MAY EXPERIENCE DIFFICULTIES INTEGRATING KTI'S OPERATIONS AND ASSETS.

We acquired KTI on December 14, 1999. Since that time, we have experienced difficulties in integrating the operations of KTI and these difficulties have caused us to revise our publicly disclosed projections. There can be no assurance that we will not continue to experience difficulties in integrating KTI's operations effectively and that the acquisition will result in the synergies and other benefits anticipated by the two companies. Among other matters, in connection with the KTI acquisition we assumed certain obligations to finance and support a tire recycling joint venture. We cannot assure you that the joint venture will achieve projected financial results or not divert management resources. The Company has a signed agreement to sell the Tires business, however the Company gives no assurance that the deal will close.

OUR INCREASED LEVERAGE MAY IMPACT OUR ABILITY TO MAKE FUTURE ACQUISITIONS.

As a result of the acquisition of KTI and the increase in our credit facility, our indebtedness has increased substantially. This increased indebtedness has resulted in increased borrowing costs, which have adversely impacted our operating results. In addition, the aggregate amount of indebtedness has limited and may continue to limit the Company's ability to incur additional indebtedness, and thereby may limit the Company's ongoing acquisition program.

WE MAY NOT BE SUCCESSFUL IN MAKING ACQUISITIONS, WHICH COULD AFFECT OUR FUTURE GROWTH.

Our strategy envisions that a substantial part of our future growth will come from making acquisitions. There can be no assurance that we 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 us, or to integrate the operations of such acquired businesses with our operations. Certain of these acquisitions may be of significant size and may include assets that are outside our geographic territories or are ancillary to our core business strategy. In addition, due to the increased consolidation of the solid waste industry and our current size, we cannot assure you that we will be able to make acquisitions in the future at a rate consistent with our historical growth rate.

WE ARE DEPENDENT ON THE MEMBERS OF OUR SENIOR MANAGEMENT TEAM.

We are highly dependent upon the services of the members of our senior management team, the loss of any of whom may have a material adverse effect on our business, financial condition and results of operations. In addition, our future success depends on our continuing ability to identify, hire, train, motivate and retain highly trained personnel. We may be in default under our credit facility if both John Casella and James Bohlig cease to be employed by us.

OUR ABILITY TO MAKE ACQUISITIONS IS DEPENDENT ON THE AVAILABILITY OF ADEQUATE CASH AND THE ATTRACTIVENESS OF OUR STOCK PRICE.

We anticipate that any future business acquisitions will be financed through cash from operations, borrowings under our bank line of credit, the issuance of shares of our Class A Common Stock and/or seller financing. There can be no assurance that we will have sufficient existing capital resources, that our stock price will be sufficiently attractive for use in an acquisition or that we will be able to raise sufficient additional capital resources on terms satisfactory to us, if at all, in order to meet our capital requirements.

We also believe that a significant factor in our ability to close acquisitions will be the attractiveness of our 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 our Class A common stock compared to the equity securities of our competitors. The recent declines in the market price of our Class A common stock could materially adversely affect our acquisition program.

ENVIRONMENTAL REGULATIONS COULD SUBJECT US TO FINES, PENALTIES AND LIMITATIONS ON OUR ABILITY TO EXPAND

We are subject to potential liability and restrictions under environmental laws. Our waste-to-energy and manufacturing facilities are subject to regulations limiting discharges of pollution into the air and water, and the solid waste operations are subject to a wide range of Federal, state and, in some cases, local environmental and land use restrictions. If we are not able to comply with the requirements that apply to a particular facility, we could be subject to fines and penalties, and we may be required to spend large amounts to bring an operation into compliance or to temporarily or permanently stop an operation that is not permitted under the law. Those costs or actions could have a material adverse effect upon our business, financial condition and results of operations.

Environmental and land use laws also can have an impact on whether our operations can expand and, in the case of our solid waste operations, may dictate those geographic areas from which we must, or, from which we may not, accept waste. The waste management industry has been and likely will continue to be subject to regulation, as well as to attempts to further regulate the industry through new legislation. Those regulations and laws also may limit the overall size and daily waste volume that may be accepted by a solid waste operation. If we are not able to expand or otherwise operate one or more of our facilities profitably because of limits imposed under environmental laws, we may be required to increase our utilization of disposal facilities owned by third parties, and if so, our business, financial condition and results of operations could suffer a material adverse effect.

We have grown through acquisitions, and we have tried to evaluate and address environmental risks and liabilities presented by newly acquired businesses as we have identified them. It is possible that some liabilities, including ones that may exist only because of the past operations of an acquired business, may prove to be more difficult or costly to address than we anticipate. It is also possible that government officials responsible for enforcing environmental laws may believe an issue is more serious than we would expect, or that we will fail to identify or fully appreciate a historic liability before we become legally responsible to address it. Some of the legal sanctions to which we could become subject could cause us to lose a needed permit, or prevent us from or delay us in obtaining or renewing permits to operate our facilities. The number, size and nature of those liabilities could have a material adverse effect on our business, financial conditions and results of operations.

Our operating program depends on our ability to operate and expand the landfills we own and lease and to develop new landfill sites. Several of our landfills are subject to local laws purporting to regulate their expansion and other aspects of their operations. There can be no assurance that the laws adopted by municipalities in which our landfills are located will not have a material adverse effect on our utilization of our landfills or that we will be successful in obtaining new landfill sites or expanding the permitted capacity of any of our current landfills once their remaining disposal capacity has been consumed.

OUR RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED BY CHANGING PRICES OR MARKET REQUIREMENTS FOR RECYCLABLE MATERIALS

Our results of operations may be materially adversely affected by changing purchase or resale prices or market requirements for recyclable materials. Our recycling business involves the purchase and sale of recyclable materials, some of which are priced on a commodity basis. The resale and purchase prices of, and market demand for, recyclable materials, particularly waste paper, plastic and ferrous and aluminum metals, can be volatile due to numerous factors beyond our control. These changes have in the past contributed, and may continue to contribute, to significant variability in our period-to-period results of operations.

Some of our subsidiaries involved in the recycling business use long-term supply contracts with customers with floor price arrangements to minimize the commodity risk for recyclable materials, particularly waste paper and aluminum metals. Under these contracts, our subsidiaries obtain a guaranteed minimum floor price for the recyclable materials along with a commitment to receive additional amounts if the current market price rises above the minimum price. These contracts are generally with large domestic companies, which use the recyclable materials in their manufacturing processes. Any failure to continue to secure long-term supply contracts with minimum price arrangements, or a breach by customers of one or more of these contracts could reduce our recycling revenues and have a material adverse effect on our business, financial condition and results of operations.

THE SEASONALITY OF OUR REVENUES COULD ADVERSELY IMPACT OUR FINANCIAL CONDITION

Future seasonal fluctuations in our revenues could have a material adverse effect on our business, financial condition and results of operations. The Company's transfer and disposal revenues have historically been lower during the months of November through March. This seasonality reflects the lower volume of waste during the late fall, winter and early spring months primarily because: (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 residential recycling segment experiences increased volumes of newspaper in November and December due to increased newspaper advertising and retail activity during the holiday season. Additionally, the facilities located in Florida experience increased volumes of recyclable materials during the winter months, followed by decreases in the summer months in connection with seasonal changes in population.

The commercial recycling segment experiences increased quantities of newspaper and corrugated containers in November and December, followed by reduced quantities in January and decreased quantities of newspaper and corrugated containers in July and August, followed by increased quantities in September, due to increased newspaper advertising and retail activity during the holiday season.

The insulation business experiences lower sales in November and December because of lower production of manufactured housing due to holiday plant shutdowns.

OUR BUSINESS IS GEOGRAPHICALLY CONCENTRATED AND IS THEREFORE SUBJECT TO REGIONAL ECONOMIC DOWNTURNS

Our operations and customers are principally located in the eastern United States. Therefore, our business, financial condition and results of operations are susceptible to regional economic downturns and other regional factors, including state regulations and severe weather conditions. In addition, as we expand in our 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 us to expand vertically in these markets. We cannot assure you that we will complete acquisitions in other markets to lessen our regional geographic concentration.

MAINE ENERGY MAY BE REQUIRED TO MAKE A PAYMENT IN CONNECTION WITH THE PAYOFF OF THE MAINE ENERGY BONDS WHICH EXCEEDS THE AMOUNT OF THE LIABILITY WE RECORDED IN CONNECTION WITH THE KTI ACQUISITION

Under the terms of the waste handling agreement dated June 7, 1991 among the Biddeford-Saco Waste Handling Committee, Biddeford, Saco and Maine Energy, Maine Energy may be required, following the date on which the bonds financing Maine

Energy and certain limited partner loans to Maine Energy are paid in full, to pay an aggregate of 18% of the fair market value of the equity of the partners in Maine Energy to the respective municipalities party to that agreement. In connection with the acquisition of KTI, the Company estimated the fair market value of Maine Energy as of the date the bonds are assumed to be paid in full, and recorded a liability equal to 18% of such amount. We cannot assure you that our estimate of the fair market value of Maine Energy will prove to be accurate, and in the event we have underestimated the value of Maine Energy, we could be required to recognize unanticipated charges, in which case our business, financial condition, results of operations and liquidity could be materially adversely affected.

WE MAY NOT BE ABLE TO EFFECTIVELY COMPETE IN THE HIGHLY COMPETITIVE SOLID WASTE SERVICES INDUSTRY

The solid waste services industry is highly competitive, is undergoing a period of increasingly rapid consolidation, and requires substantial labor and capital resources. Some of the markets in which we compete or will likely compete are served by one or more of the large national or multinational solid waste companies, as well as numerous regional and local solid waste companies. Intense competition exists not only to provide services to customers, but also to acquire other businesses within each market. Some of our competitors have significantly greater financial and other resources than us. 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 either require us to reduce the pricing of our services or result in our loss of business. As is generally the case in the industry, municipal contracts are subject to periodic competitive bidding. There can be no assurance that we will be the successful bidder to obtain or retain these contracts. If we are unable to compete with larger and better capitalized companies, or to replace municipal contracts lost through the competitive bidding process with comparable contracts or other revenue sources within a reasonable time period, our business, financial condition and results of operations could be materially adversely affected.

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

ONE OF OUR SUBSIDIARIES SELLS ITS ENTIRE OUTPUT TO A FEW CUSTOMERS AND LACKS THE CAPACITY TO MEET ALL OF ITS COMMITMENTS

One of our subsidiaries operates three steam generating plants, one of which produces steam for a facility owned by E. I. du Pont de Nemours and Company under a five-year contract expiring on May 30, 2003. Du Pont has significantly reduced operations at this facility, and has the option to terminate the contract upon payment of a termination fee. The second plant produces steam for an industrial park. Approximately 85% of the steam produced by the plant is purchased by one customer under a contract that may not be terminated by the customer except for cause, and the balance is sold to ten customers under contracts, which provide that our subsidiary may elect not to supply steam. Currently, maximum contracted capacity for all customers for steam exceeds the maximum rated capacity of this plant. Actual demand, however, has not exceeded the maximum rated capacity. If actual demand grows, the plant may need to install equipment to respond to peak demands, as well as equipment, which may be necessary to allow the plant to meet stricter air quality standards, which may be adopted in the near future. The cost of this air quality equipment, not including the equipment necessary to respond to peak demands, is expected to be approximately $1.2 million. We have closed the third steam generating plant, which sold all of its output to a customer, which has filed for bankruptcy. The termination of the contract with du Pont or any of the significant customers who purchase steam from our subsidiary or its subsidiary could have a material adverse effect on our business, financial condition and results of operations.

OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION MAY BE NEGATIVELY AFFECTED IF WE INADEQUATELY ACCRUE FOR CLOSURE AND POST-CLOSURE COSTS

We have material financial obligations relating to closure and post-closure costs of our existing landfills and will have material financial obligations with respect to any disposal facilities, which we may own or operate in the future. In addition to the landfills we currently operate, we own four unlined landfills, which are not currently in operation. We have provided and will in the future provide accruals for financial obligations relating to closure and post-closure costs of our owned or operated landfills, generally for a term of 30 years after final closure of a landfill. We cannot assure you that our financial obligations for closure or post-closure costs will not exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds established for this purpose. Such a circumstance could result in unanticipated charges and have a material adverse effect on our business, financial condition and results of operations.

WE COULD BE PRECLUDED FROM ENTERING INTO CONTRACTS OR OBTAINING PERMITS IF WE ARE UNABLE TO OBTAIN THIRD PARTY FINANCIAL ASSURANCE TO SECURE OUR CONTRACTUAL OBLIGATIONS

Municipal solid waste collection and recycling contracts, obligations associated with landfill closure and post closure and the operation and closure of waste-to-energy facilities may require performance or surety bonds, letters of credit or other means of financial assurance to secure our contractual performance. If we are unable to obtain the necessary financial assurance in sufficient amounts or at acceptable rates, we could be precluded from entering into additional municipal solid waste collection contracts or from obtaining or retaining landfill operating permits. Any future difficulty in obtaining insurance could also impair our ability to secure future contracts conditioned upon the contractor having adequate insurance coverage. Accordingly, our failure to obtain financial assurance bonds, letters of credit or other means of financial assurance or to maintain adequate insurance could have a material adverse effect on our business, financial condition and results of operations.

WE MAY BE REQUIRED TO WRITE-OFF CAPITALIZED CHARGES IN THE FUTURE, WHICH COULD ADVERSELY AFFECT OUR EARNINGS

Any charge against earnings could have a material adverse effect on our earnings and the market price of our Class A common stock. In accordance with generally accepted accounting principles, we capitalize certain expenditures and advances relating to our acquisitions, pending acquisitions, landfills and development projects. From time to time in future periods, we may be required to incur a charge against earnings in an amount equal to any unamortized capitalized expenditures and advances, net of any portion thereof that we estimate will be recoverable, through sale or otherwise, relating to (a) any operation that is permanently shut down or has not generated or is not expected to generate sufficient cash flow, (b) any pending acquisition that is not consummated and (c) any landfill or development project that is not expected to be successfully completed. We have incurred such charges in the past.

OUR CLASS B COMMON STOCK HAS TEN VOTES PER SHARE AND IS HELD EXCLUSIVELY BY JOHN W. CASELLA AND DOUGLAS R. CASELLA

The holders of our Class B common stock are entitled to ten votes per share and the holders of our Class A common stock are entitled to one vote per share. At October 21, 2000, an aggregate of 988,200 shares of our Class B common stock, representing 9,882,000 votes, were outstanding, all of which were beneficially owned by John W. Casella, our president and chief executive officer, or by his brother, Douglas R. Casella, a director. Based on the number of shares of common stock outstanding at September 5, 2000, the shares of our Class A common stock and Class B common stock held by John W. Casella and Douglas R. Casella represent approximately 34.4% of the aggregate voting power of our stockholders. Consequently, John W. Casella and Douglas R. Casella will be able to substantially influence all matters for stockholder consideration.

## Part II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

On or about October 30, 1997, Mr. Matthew M. Freeman commenced a civil lawsuit against the Company and two of its officers and directors in Vermont Superior Court. Mr. Freeman claims to have performed services for the Company prior to 1995 and in his lawsuit is seeking a three-percent equity interest in the Company or the monetary equivalent thereof, as well as punitive damages. The Company and the officers and directors have answered the Complaint, denied Mr. Freeman's allegations of wrongdoing, and asserted various defenses. In addition, the Company has filed a motion for summary judgment, which is currently pending. In order to facilitate the completion of the initial public offering of the Company's Class A Common Stock in November 1997, certain stockholders of the Company agreed to indemnify the Company for any settlement by the Company or any award against the Company in excess of $350,000 (but not for legal fees paid by or on behalf of the Company or any other third party). On February 14, 2001, the Company settled the litigation in a manner that did not have a material financial impact to the Company.

The Company's wholly owned subsidiary, North Country Environmental Services, Inc. ("NCES"), is a party to an appeal against the Town of Bethlehem, New Hampshire ("Town") before the New Hampshire Supreme Court. The appeal arises from cross actions for declaratory and injunctive relief filed by NCES and the Town to determine the permitted extent of NCES's landfill in the Town. The Grafton Superior Court ruled on February 1, 1999 that the Town could not enforce an ordinance purportedly prohibiting expansion of the landfill, at least within 51 acres of NCES's 87-acre parcel, based upon certain existing land-use approvals. As a result, NCES was able to construct and operate "Stage II, Phase II" of the landfill. If the Town were to prevail on appeal, the range of possible outcomes includes, without limitation, a new trial, closure of the landfill, or remediation (i.e., removal) of Stage II, Phase II. A separate appeal by two citizens groups of the construction and operating approvals issued by the New Hampshire Department of Environmental Services to NCES for Stage II, Phase II has been stayed by the New Hampshire Waste Management Council pending the resolution of the appeal before the Supreme Court.

On or about December 7, 1999, Earth Waste Systems, Inc., Kevin Elnicki and Frank Elnicki filed a civil lawsuit against the Company, two of the Company's officers and directors, and a former employee in Vermont State Court, Rutland County. The plaintiffs allege that the Company and the individual defendants breached contractual obligations and engaged in other wrongdoing related to, among other things, a now terminated scrap metal agreement. Plaintiffs are seeking monetary damages, including punitive damages, in an unspecified amount. The Company's motion to dismiss the case on jurisdictional grounds was denied, and the Company has filed an answer to Plaintiff's complaint. Additionally, both parties have filed motions for summary judgment on selected issues, which currently remain pending. The Company believes it has meritorious defenses to this lawsuit. . On November 21, 2000, the plaintiffs filed a motion for attachment of the Company's assets having a value of $7 million. A hearing on the attachment is currently scheduled for April 12, 2001.

The Company has brought an action against the Town of Hampden, Maine to set aside the Town's efforts to block the Company's construction of approximately 3,100,000 tons of capacity, for which the Company has been granted a permit by the State of Maine. On October 20, 2000, the Penobscot County Superior Court in Bangor, Maine granted the Company's motion for summary judgment, remanding the matter to the Hampden Board of Appeals to grant the Company a license to expand.

On April 1, 1999, William F. Kaiser, a former Executive Vice President and Treasurer of KTI, filed a lawsuit against KTI in the U.S. District Court for the District of New Jersey. The suit alleges breach of contract, wrongful termination, breach of the implied covenant of good faith and fair dealing, misrepresentation of employment terms and failure to pay wages, all arising out of Mr. Kaiser's employment agreement with KTI. The suit also alleges that KTI inaccurately reported its financial results for the first nine months of 1998 and failed to properly disclose the change of control provision in Mr. Kaiser's employment agreement. Mr. Kaiser is seeking a declaratory judgment that, upon closing of the merger, the change of control provision entitles him to receive a severance payment of two years' salary, in the amount of $320,000, and to exercise 132,000 unvested options for KTI common stock. Mr. Kaiser is also seeking damages in the amount of $40,000 for an additional severance payment, as well as undisclosed damages for outstanding salary, bonus and other payments and from his sale of approximately 20,000 shares of KTI common stock resulting from KTI's allegedly inaccurate financial reports. A settlement conference is expected to occur in March 2001.

On or about April 26, 1999, Salvatore Russo filed an action in the U.S. District Court, District of New Jersey against KTI and two of its principal officers, Ross Pirasteh and Martin J. Sergi, purportedly on behalf of all shareholders who purchased KTI common stock from May 4, 1998 through August 14, 1998. Melanie Miller filed an identical complaint on May 14, 1999. The complaints allege that the defendants made material misrepresentations in KTI's nine monthly report on form 10-Q for the period ended March 31, 1998 in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, concerning KTI's allowance for doubtful accounts and net income. The Plaintiffs are seeking undisclosed damages. The Company believes it has meritorious defenses to these complaints. The Court has consolidated the Russo and Milliner complaints, and plaintiffs filed a consolidated amended complaint on June 15, 2000. The Company filed a motion to dismiss the consolidated amended complaint, which is currently pending in the District Court of New Jersey.

On May 11, 2000, the Company was granted a permit modification by the New Hampshire Department of Environmental Services to increase the volume of solid waste processed and stored at its GDS transfer station in Newport, New Hampshire. On or about June 12, 2000, a local environmental activist appealed the permit modification to the New Hampshire Waste Management Council. The appeal claims that the modification will lead to adverse environmental impacts through higher waste flows and increased levels of incineration at a nearby waste-to-energy facility, that the Company has been the subject of "complaints" arising from its New England and New York operations, and that the Company has failed to demonstrate that the modification is consistent with the waste management plan of the local waste management district. The Company expects to seek a dismissal of the appeal for the appellant's lack of standing.

On January 7, 2000, the City of Saco, Maine filed a notice of claims with the Company and Maine Energy claiming entitlement to certain "residual cancellation" payments from Maine Energy under the waste handling agreement dated June 7, 1991 among the Biddeford-Saco Waste Handling Committee, Biddeford, Saco and Maine Energy on the basis of the satisfaction of certain conditions, including the acquisition of KTI by the Company. The notice of claims alleges that the payments due to Saco exceed $33 million, and claims damages in such amounts for breach of contract, breach of fiduciary duties and fraud and also claims treble damages of $100 million based on alleged fraudulent transfer of Maine Energy's assets. The notice also reserves the right to seek punitive damages. Although the City of Biddeford, Maine has not filed a notice of claims, it has given notice that it will be initiating a suit to receive the residual cancellation payments. Under the agreement, the aggregate amount to be paid upon the exercise of the put right is 18% of the fair market value of the equity of the partners in Maine Energy, and such amount is required to be paid within 120 days after the exercise of the put by the respective parties entitled thereto. The Company believes it has meritorious defenses to these claims and is negotiating the terms of an amended host agreement that may render the claims moot.

On or about March 24, 2000, a complaint was filed in the United States District Court, District of New Jersey against the Company, KTI, and three of KTI's principal officers, Ross Pirasteh, Martin J. Sergi, and Paul A. Garrett. The complaint purported to be behalf of all shareholders who purchased KTI common stock from January 1, 1998 through April 14, 1999. The Complaint alleged that the defendants made unspecified misrepresentations regarding KTI's financial condition during the class period in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended. The plaintiffs seek undisclosed damages. On or about April 6, 2000, the plaintiffs filed an amended class action complaint, which changes the class period covered by the complaint to the period including August 15, 1998 through April 14, 1999. The Company has filed a motion to dismiss, which remains pending. The Company believes it has meritorious defenses to these claims.

On or about December 19, 2000, a complaint was filed in the Superior Court of New Jersey against the Company, Seaglass, Inc., KTI Recycling of New Jersey, Inc., Oakhurst Company, Inc., and Marty Sergi. The complaint alleges that Fred Devlin was not paid his "Tagalong Payment" when KTI, Inc. sold its 80% interest in Seaglass, Inc. to New Heights Power & Recovery, LLC and that his employment agreement was breached when he was terminated. The Company has filed a motion to compel arbitration and believes that it has meritorious defenses to these claims. The Company is a defendant in certain other lawsuits alleging various claims incurred in the ordinary course of business.

The Company offers no prediction of the outcome of any of the proceedings described above.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS ON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:
(b) Reports on Form 8-K:

None.

SIGNATURE

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

Casella Waste Systems, Inc.

Date: March 16, 2001

By: /s/ Jerry Cifor
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Jerry Cifor
Vice President and
Chief Financial Officer

(Principal Financial and Accounting
Officer and Duly Authorized Officer)