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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended April 30, 2000

OR

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

For the transition period from to

Commission file number 000-23211

CASELLA WASTE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware

03-0338873

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

25 Greens Hill Lane, Rutland, VT

05701

(Address of principal executive offices)

(Zip Code)

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

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

Securities registered pursuant to Section 12(g) of the Act:

Class A Common Stock, \$.01 per share par value

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

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

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The aggregate value of the voting stock held by non-affiliates of the registrant, based on the last sale price of the registrant's Class A Common Stock at the close of business on July 21, 2000 was \$273,751,210 (reference is made to Part II, Item 5 herein for a statement of assumptions upon which this calculation is based).

There were 22,232,698 shares of Class A Common Stock, \$.01 per share par value, of the registrant outstanding as of July 21, 2000. There were 988,200 shares of Class B Common Stock of the registrant outstanding as of July 21, 2000.

Documents Incorporated by Reference

Items 10, 11, 12 and 13 of Part III (except for information required with respect to executive officers of the Company, which is set forth under Part I -

Business - "Executive Officers of the Company") have been omitted from this report, since the Company expects to file with the Securities and Exchange Commission, not later than 120 days after the close of its fiscal year, a definitive proxy statement. The information required by Items 10, 11, 12 and 13 of Part III of this report, which will appear in the definitive proxy statement, is incorporated by reference into this report.

PART I

ITEM 1. BUSINESS

The Company

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 also markets recyclable metals, aluminum, plastics, paper and corrugated cardboard all processed at its facilities and recyclables purchased from third parties. The Company also generates electricity under its contracts with its two majority owned subsidiaries, Maine Energy Recovery Company LP ("Maine Energy") and Penobscot Energy Recovery Company LP ("PERC"), and through its wholly owned subsidiary, Timber Energy Recovery, Inc. ("TERI"). As of July 21, 2000, the Company owned and/or operated five Subtitle D landfills, two landfills permitted to accept construction and demolition materials, 39 transfer stations, 40 recycling processing facilities, 39 solid and liquid waste collection divisions, 12 power generation facilities, three finished products processing facilities and an interest in its cellulose insulation joint venture with Louisiana Pacific.

Recent Developments

On December 14, 1999, the Company consummated its acquisition of KTI, Inc. ("KTI"), a publicly traded solid waste handling company. KTI specialized in solid waste disposal and recycling, and operated waste-to-energy facilities and manufacturing facilities utilizing recycled materials. All of KTI's common stock was acquired in exchange for 7,152,157 shares of Class A Common Stock. The acquisition of KTI essentially more than doubled the revenues of the Company. The acquisition was accounted for as a purchase, and accordingly, results are included in the Consolidated Statements of Operations from December 15, 1999 forward.

During the fiscal year ended April 30, 2000, the Company also acquired 35 solid and liquid waste management businesses with approximately \$82.9 million in annualized revenues, including the following:

In July 1999, the Company completed a merger with Resource Waste Systems, Inc. and related entities, which process recyclable materials and market commodities. Resource Waste Systems and its affiliates are in the Eastern Massachusetts market.

In October 1999, the Company acquired Eirco, Inc., a disposal outlet for processed construction and demolition debris in Eastern Massachusetts.

In February 2000, the Company completed the acquisition of Alternate Energy, Inc. and Rochester Environmental Park LLC (together, "AEI"), a bulk hauling operation and construction and demolition debris processing facility in Eastern Massachusetts.

In spring 2000 the Company acquired certain assets from Allied Waste Industries, Inc. The assets included of two transfer stations, one recycling facility and various hauling operations in Eastern Massachusetts and Northern Rhode Island.

The Company has entered into an agreement with Louisiana-Pacific Corp. to combine their respective cellulose insulation businesses into a single operating entity under a joint venture agreement effective August 1, 2000. The new Company, to be known as U.S. Green Fiber LLC, is an equally-owned joint venture formed through the combination of Louisiana-Pacific's GreenStone Industries, Inc. and Casella Waste Systems' U.S. Fibers, Inc.'s operations. The new entity will supply cellulose insulation to existing residential construction, retail and manufactured housing supply channels.

In June 2000, the Company agreed to issue redeemable convertible preferred stock to Berkshire Partners of Boston, Massachusetts. The preferred stock will be

convertible into Class A Common Stock at \$14.00 per share. The Company expects to raise approximately \$55.8 million in capital, which the Company expects to use to pay down debt and continue its strategic plan.

Services

The Company's waste collection, landfill, transfer, certain of the Company's recycling services operations and two of its waste-to-energy facilities, which incinerate non-hazardous solid waste to generate electricity, are managed on a geographic basis and are 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 collection to transfer operations and recycling to disposal in either landfills or waste-to-energy facilities. Each is managed separately and provides distinct products or services using different production facilities. The Company's other operations, comprising its waste-to-energy facilities exclusive of the two managed in the Eastern region and its residential recycling operations, exclusive of the recycling facilities which operate within the waste sheds, commercial recycling operations and the finished products operations are managed on a line-of-business basis independently of the three geographic regions. The waste-to-energy segment is managed out of Saco, Maine, the commercial recycling segment is managed out of Passaic, New Jersey and the residential recycling and finished products segments are managed out of Charlotte, North Carolina. The following are the Company's three geographic regions and four line-of-business segments that comprise the Company's operations:

Central Region

The Central Region consists of Vermont, New Hampshire and eastern upstate New York. The portion of upstate New York within the Company's Central Region as of July 21, 2000 includes Clinton, Franklin, Essex, Warren, Washington, Saratoga, Rennselaer and Albany counties. The Company owns and operates Subtitle D landfills in Bethlehem, New Hampshire (See Part I, Item 3, 'Legal Proceedings') and Coventry, Vermont, and, through a 25-year capital lease, operates the Clinton County landfill located in Schuyler Falls, New York. In addition, as of July 21, 2000, the Company operated 16 solid waste collection operations, of which 7 are leased and 9 are owned, 2 liquid waste collection operations, one of which is leased and one of which is owned, 11 transfer stations, 4 of which are leased and 7 of which are owned, four recycling facilities, three of which are leased and one of which is owned and 1 leased transportation operation in the Central Region. The Central Region also had two transfer stations under development as of July 21, 2000.

Eastern Region

The Company's Eastern Region consists of Maine, southeastern New Hampshire, eastern Massachusetts and northern Rhode Island. The Company owns the SERF landfill located in Hampden, Maine, which disposes of ash, construction and demolition debris, special waste and front end processing residue primarily from the State of Maine. In addition, at July 21, 2000 the Company operated 10 collection operations, 4 of which are leased and 6 of which are owned and 15 transfer stations, 10 of which are leased and 5 of which are owned and collected solid waste from commercial, industrial and residential customers in the Eastern Region. 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. The Eastern Region also includes two majority-owned subsidiaries, which generate electricity from non-hazardous solid waste. The first facility is an 83.75% owned subsidiary, Maine Energy Recovery Company LP ("Maine Energy"), a Maine limited partnership, which is located in Biddeford, Maine. The other facility is a 66.59% owned subsidiary, Penobscot Energy Recovery Company LP ("PERC"), a Maine limited partnership, located in Orrington, Maine.

Western Region

The Western Region is comprised of upstate New York and northern Pennsylvania (including Ithaca, Elmira, Oneonta, Lowville, Potsdam, Geneva, Auburn, Buffalo, Jamestown, Olean, and Wellsboro, PA). At July 21, 2000 the Company operated 11 transfer stations, all of which are owned, 12 collection operations, all of

which are owned and 5 recycling operations, all of which are owned and collected solid waste from commercial, industrial and residential customers in the Western Region. The Company owns a Subtitle D permitted landfill, the Hyland facility, in Angelica, New York, which serves the western upstate portion of our New York waste shed (See Part I, Item 3, 'Legal Proceedings'). The Company also owns two landfills permitted to accept construction and demolition materials, the Hakes and Portland facilities.

Operations

The following is a description of the Company's operations.

Landfills

The Company currently owns four Subtitle D landfill operations and operates a fifth Subtitle D landfill under a 25-year lease arrangement with a county. All of the Company's operating Subtitle D landfills include leachate collection systems, groundwater monitoring systems and, where required, active methane gas extraction and recovery systems. In addition to these landfills, the Company owns two landfills permitted to accept only construction and demolition materials. These C&D landfills, depending on the state in which they are located, are typically constructed in accordance with lower environmental standards than Subtitle D landfills, reflecting the inert nature of the materials deposited in them.

During the year ended April 30, 2000, approximately 67% of the waste volumes received by the Company's landfills were from the Company's hauling divisions or transfer stations.

The following table provides certain information regarding the landfills that the Company operates. All of such information is provided as of July 21, 2000.

Landfill	Location	Estimated Total Remaining Permitted Capacity (Tons) (1)	Estimated in Permitting Process Capacity (Tons) (1) (2)
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Clinton County (3).....	Schuyler Falls, NY	710,000	990,000
Waste USA	Coventry, VT	1,690,000	- 0 -
SERF (4).....	Hampden, ME	120,000	3,100,000
NCES.....	Bethlehem, NH	6,000	544,000
Hyland.....	Angelica, NY	1,620,000	- 0 -
Hakes (C&D)	Campbell, NY	941,000	- 0 -
Portland(C&D) (5).....	Portland, NY	20,250	- 0 -

(1) The Company converts estimated remaining permitted and permittable capacity calculated in cubic yards to tons by assuming a compaction factor equal to the historic average compaction factor applicable to the respective landfill.

(2) Represents capacity for which the Company has begun the permitting process. Does not include additional

available capacity at the site for which permits have not yet been sought.

(3) Operated pursuant to a capital lease expiring in 2021.

(4) The 3,100,000 of additional in-process tonnage has received all required permits from the State of Maine; however the town of Hampden, Maine, where the site is located, has not issued the required construction permits for work to begin on the expansion (See Part I, Item 3 "Legal Proceedings").

(5) Facility currently under construction.

The Company also owns and/or operates five unlined landfills, which are not currently in operation. All of these landfills have been closed and environmentally capped by the Company. One of the unlined landfills, a municipal landfill which is adjacent to the Subtitle D Clinton County landfill being operated by the Company, was operated by the Company from July 1996 through July 1997. The Company completed the closure and capping activities at this landfill in September 1997, and is indemnified by Clinton County for environmental

liabilities arising from such landfill prior to the Company's operation.

Once the permitted capacity of a particular landfill is reached, the landfill must be closed and capped, and post-closure care started, if additional capacity is not authorized. 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 39 solid and liquid waste collection operations served over 500,000 commercial, industrial and residential customers at July 21, 2000. During 2000, approximately 49% of the solid waste collected by the Company was delivered for disposal at its landfills. The Company's collection operations are generally conducted within a 125-mile radius of its landfills. A majority of the Company's commercial and industrial collection services are performed under one to three year service agreements, and fees are determined by such factors as collection frequency, type of equipment and containers furnished, the type, volume and weight of the solid waste collected, the distance to the disposal or processing facility and the cost of disposal or processing. The Company's residential collection and disposal services are performed either on a subscription basis (i.e., with no underlying contract) with individuals, or under contracts with municipalities, homeowners associations, apartment owners or mobile home park operators.

Transfer Station Services

The Company operated 39 transfer stations as of July 21, 2000. The transfer stations receive, compact and transfer solid waste collected primarily from the Company's various collection operations to larger Company-owned vehicles for transport to landfills. The Company believes that transfer stations benefit the Company by: (i) increasing the size of the waste shed which has access to the Company's landfills; (ii) reducing costs by improving utilization of collection personnel and equipment; and (iii) building relationships with municipalities that may lead to future business opportunities, including privatization of the municipality's waste management services.

Recycling Services

The Company has sought to position itself to provide recycling services to customers who are willing to pay for the cost of the recycling service. Depending on the terms of the individual customer contracts and the level of

recovered material commodity prices, the proceeds generated from reselling the recycled materials are usually shared between the Company and its customers. In addition, the Company has adopted a pricing strategy of charging collection and processing fees for recycling volume collected from its customers.

As of July 21, 2000 the Company operated 15 recycling processing facilities throughout the three geographic regions. 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 regional recycling operations, as they relate to the three geographic regions, are concentrated principally in the Vermont, which is in the Central Region, as the public sector in other states in the Company's service area has generally taken primary responsibility for recycling efforts.

Waste Tire Processing and Other Services

The Company's waste tire processing facility, located in Eliot, Maine, has the capacity to process approximately 3.5 million tires per year and generates tire derived fuel, which the Company sells to paper mills for consumption as a supplemental energy source for boiler fuel. The Company's other services include a septic/liquid waste operation, located in the Company's Central Region.

Waste-to-Energy

In addition to its interests in Maine Energy and PERC, the Company has the following interests in waste-to-energy facilities:

Timber Energy Resources, located in Telogia, Florida, uses biomass waste as its source of fuel to be combusted for the production of electricity for sale to the local electric utility. The Company also operates two wood processing facilities, BioFuels in Lewiston, Maine and Timber Chip, also a part of Timber

Energy Resources, in Cairo, Georgia.

The Company operates three waste-to-energy facilities, two of which are owned and one of which is leased, in Martinsville, Virginia. These facilities use biomass and coal to produce steam for sale to industrial users under long-term contracts. One of the plants was closed in December 1999 pursuant to that plant's only customer going out of business.

KTI Recycling of Canada, which includes three tire processing facilities, two of which are owned and one of which is leased, produce crumb rubber from waste tires using a proprietary cryogenic technology. KTI Recycling of Canada has two additional facilities under construction, located in Canada.

The Company holds a 35% stake in Oakhurst Company Inc., which owns two distributors in the automotive aftermarket. The Company has assigned the Company's proprietary cryogenic rubber technology to Oakhurst, for use at the New Heights facility. In return, Oakhurst agreed to purchase an unspecified number of crumb rubber systems and entered into a royalty agreement with the Company to pay \$0.0075 cents per tire processed by Oakhurst using these crumb rubber systems. Oakhurst also agreed to engage a subsidiary of the Company to be the operating manager of New Heights and to pay the subsidiary of the Company management fees for each facility operated.

The Company owns a 60% limited partnership interest in American Ash Recycling of Tennessee Ltd., a limited partnership that operates a permitted municipal waste combustor ash recycling facility in Nashville, Tennessee. This facility, which commenced operations in 1993, is the first commercially operational municipal waste combustor ash recycling facility in the United States.

The waste-to-energy segment also engages in other waste management and processing activities, including commercial hauling and non-hazardous waste management. These activities are complementary extensions of the waste-to-energy facilities that enable the Company to provide a wider range of services to customers and provide strategic opportunities for future growth through vertical integration.

Residential recycling

The residential recycling segment is comprised of 20 recycling facilities, 19 of which are leased and one of which is owned, that process and market recyclable materials under long-term contracts with municipalities and commercial customers. Additionally, the residential recycling segment operates one leased transfer station. The recyclable materials consist principally of old newspapers, old corrugated containers, mixed paper and commingled bottles and cans consisting of steel, aluminum, plastic and glass. This line of business segment provides residential recycling, commercial recycling, processing and marketing services.

A significant portion of the material provided to the residential recycling segment is delivered pursuant to long-term contracts with municipal customers. The contracts generally have a term of five to ten years and expire at various times between 2000 and 2018. The terms of each of the contracts vary, but all the contracts provide that the municipality or a third party deliver materials to the Company's facility. In approximately one-third of the contracts, the municipalities agree to deliver a guaranteed tonnage and the municipality pays a fee for the amount of any shortfall from the guaranteed tonnage. Under the terms of the individual contracts, the Company pays the municipality a fee per ton of material delivered or in the event of a shortfall, charges the municipality a fee for each ton of material shortfall below the municipality's guaranteed tonnage amount. Some contracts contain revenue sharing arrangements under which the Company pays the municipality a specified percentage of the revenue from the sale of the recovered materials.

The residential recycling segment derives a significant portion of its revenues from the sale of recyclable materials. The resale and purchase prices of the recyclable materials, particularly newspaper, corrugated containers, plastic, ferrous and aluminum, can fluctuate based upon market conditions. The Company uses long-term supply contracts with customers with floor price arrangements to reduce the commodity risk for certain recyclables, particularly newspaper and aluminum metals. Under such contracts, the Company obtains a guaranteed minimum price for the recyclable materials along with a commitment to receive additional amounts if the current market price rises above the floor price. The contracts are generally with large domestic companies that use the recyclable materials in their manufacturing process. In fiscal 2000, 18.7% of the revenues from the sale

of recyclable materials of the residential recycling segment were derived from sales under these long-term contracts.

Commercial recycling

The commercial recycling segment consists of five leased recycling facilities, which process and market paper fibers obtained from municipalities, commercial customers and commercial waste generators and brokers paper fibers, processed at facilities operated by the residential and commercial recycling segments, to the Company's processing facilities and external customers.

Finished Products

The finished products segment consists primarily of plastic reprocessing plants and the Company's interest in a joint venture with Louisiana-Pacific for the manufacture and sale of cellulose insulation.

The joint venture with Louisiana-Pacific manufactures cellulose insulation, which is primarily used in the construction of manufactured housing and single-family residential homes. The Company believes that the joint venture is the largest producer of cellulose insulation in the United States and operates six manufacturing facilities located in Ronda, North Carolina; Tampa, Florida; Phoenix, Arizona; Clackamas, Oregon; Delphos, Ohio; and Waco, Texas. The joint venture primarily sells the insulation to the makers of manufactured housing and insulation contractors throughout the country. The plastics division is a reprocessor of high density polyethylene ("HDPE") plastics collected primarily from residential recycling programs and industrial suppliers. The plastics division obtains a majority of its raw materials from the residential recycling segment. The plastics division operates three manufacturing facilities located in Reidsville, North Carolina and Hamlet, North Carolina.

Competition

The solid waste services industry is highly competitive, and has undergone a long period of consolidation, and requires substantial labor and capital resources. The Company competes with numerous solid waste management companies, several 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 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. In addition, 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.

The residential recycling industry is highly competitive and requires substantial capital resources and prior experience to bid on municipal contracts. Competition is both national and regional in nature. Some of the markets in which the Company competes are served by one or more of the large national solid waste companies including Waste Management, Allied Waste and Republic Services, as well as numerous regional and local competitors that offer competitive prices and quality service.

The Company's waste paper brokerage business and waste paper processing plants face extensive competition. Principal attributes of these markets contributing to such competition are industry-wide overcapacity and continual price pressures.

The insulation industry is highly competitive and requires substantial capital

and labor resources. In its insulation manufacturing activities, the Company's joint venture with Louisiana-Pacific primarily competes with manufacturers of fiberglass insulation such as Owens Corning, Certaineed and Schuller International. The fiberglass insulation manufacturers currently have a significant market share and are substantially better capitalized than the Company. The Company believes that the joint venture will compete with fiberglass insulation manufacturers by charging competitive prices and offering a quality product and excellent customer service support.

The plastics industry is highly competitive and requires substantial capital investment in equipment. The plastics division's primary competition comes from other reprocessors of recycled plastics, as well as suppliers of virgin HDPE resin. These competitors have significantly greater financial and other resources than the Company. The Company believes that it offers competitive pricing because the cost to reprocess plastics generally requires a lower amount of investment in capital than the manufacturing of virgin plastic resin. The Company also competes with several other recycled plastic brokers and direct marketing from plastic recycling plants for post-industrial plastic scrap, and with materials recovery facilities for post-consumer plastics. The Company believes that it will continue to be competitive because of its knowledge of the plastic recycling market and its reputation and relationship with its customers.

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. 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.

Employees

The Company employs approximately 3,700 persons. Certain of the Company's employees are covered by collective bargaining agreements. The Company believes relations with its employees to be satisfactory.

Risk Management, Insurance and Performance or Surety Bonds

The Company actively maintains environmental and other risk management programs, which it believes are appropriate for its business. The Company's environmental risk management program includes evaluating existing facilities, as well as potential acquisitions, for environmental law compliance and operating procedures. The Company also maintains a worker safety program, which encourages safe practices in the workplace. Operating practices at all Company operations are intended to reduce the possibility of environmental contamination and litigation.

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

Company's ability to secure future contracts, which may be conditioned upon the availability of adequate insurance coverage.

Effective July 1, 1999, the Company established a captive insurance company, 'Casella Insurance Company', through which it is self-insured for Workman's Compensation and Automobile coverage. The Company's maximum exposure under this plan is \$250,000 per individual event with no aggregate limit, after which reinsurance takes effect and limits the Company's exposure.

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

Customers

Under the terms of their contracts, Maine Energy must sell all of the electricity generated at its facilities to Central Maine, Timber Energy Resources must sell all of its electricity to Florida Power and PERC must sell all of its electricity to Bangor Hydro.

The commercial recycling segment processing facilities provide recycling services to municipalities, commercial haulers and commercial waste generators within the geographic proximity of the processing facilities. The Company acts as a broker of products, including recyclable material processed at facilities operated by the residential and commercial recycling segments, principally to paper and box board manufacturers in the United States, Canada, Pacific Rim countries, Europe and South America.

The Company's cellulose insulation joint venture sells its products to manufacturers of manufactured homes, insulation contractors, and retail home improvement stores throughout the United States. The plastics division sells the majority of its products under long-term contracts with two customers located adjacent to the Company's facility.

Raw Materials

The raw material demands of the PERC's facility currently are met mainly by PERC long-term waste handling agreements with approximately 200 municipalities in Maine. PERC received approximately 75% of its raw materials in fiscal 2000 from these municipalities. Maine Energy received 28% of its raw materials in fiscal 2000 from 18 Maine municipalities under long term waste handling agreements. Maine Energy also receives raw materials from commercial and private waste haulers and municipalities with short-term contracts. The Telogia facility uses biomass fuels that are a by-product of the paper pulp woodchip industry as its raw material.

The residential recycling segment received 38.1% of its material under long-term agreements with municipalities. These contracts generally provide that all recyclables collected from the municipal recycling programs be delivered to a facility that is owned or operated by the Company. The quantity of material delivered by these communities is dependent on the participation of individual households in the recycling program.

The raw materials for the Company's commercial recycling segment generally come from printers and publishing houses and other recyclers and haulers. The waste paper brokered by the Company is generated principally from the commercial recycling segment, from waste generators, and from third party processors.

The primary raw material for the Company's insulation joint venture is newspaper collected from residential recycling programs, including those operated by the Company's residential recycling segment. In 2000, the insulation division received 10.8% of the newspaper used by it from the residential recycling segment. It purchased the remaining newspaper from municipalities, commercial haulers, and paper brokers. The chemicals used to make the newspaper fire retardant are purchased from industrial chemical manufacturers located in the United States and South America.

The plastics division's primary raw materials are baled plastic containers collected from residential recycling programs, such as those operated by the

Company's residential recycling segment, and ground material from industrial customers. In 2000, the plastics division received 57.2% of its raw material from the Company's residential recycling facilities.

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 shut downs.

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 in the future). The Company expects that its operations in the solid waste services industry will be subject to continued and increased regulation, legislation and regulatory enforcement actions. The Company attempts to anticipate future legal and regulatory requirements and to carry out plans intended to keep its operations in compliance with those requirements.

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

The principal Federal, state and local statutes and regulations applicable to 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 non-hazardous. 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 non-hazardous. Wastes classified as hazardous under RCRA are subject to more extensive regulation than wastes classified as non-hazardous, and businesses that deal with hazardous waste are subject to

regulatory obligations in addition to those imposed on handlers of non-hazardous waste.

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

The EPA regulations issued under Subtitle C of RCRA impose a comprehensive "cradle to grave" system for tracking the generation, transportation, treatment, storage and disposal of hazardous wastes. 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 those businesses treat, store or dispose of such material. Subtitle C requirements include detailed operating, inspection, training and emergency preparedness and response standards, as well as requirements for manifesting, record keeping and reporting, corrective action, facility closure, post-closure and financial responsibility. Most states have promulgated regulations modeled on some or all of the Subtitle C provisions issued by the EPA, and in many instances EPA has delegated to those states the principal role in regulating industries which are subject to those requirements. Some state regulations impose different, additional obligations.

The Company currently does not accept for transportation or disposal of hazardous substances (as defined in CERCLA, discussed below) 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 transport and dispose of hazardous substance in the future, to the extent that materials defined as hazardous substances under CERCLA are present in consumer goods and in the non-hazardous waste streams of its customers.

The Company does not accept hazardous wastes for incineration at its waste-to-energy facilities. The Company typically tests ash produced at those facilities on a regular basis; that ash generally does not contain hazardous substances in sufficient concentrations or volumes to result in the ash being classified as hazardous waste. However, it is possible that future waste streams accepted for incineration could contain elevated volumes or concentrations of

hazardous substances or that legal requirements will change, and that the resulting incineration ash would be classified as hazardous waste.

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

In October 1991, the EPA adopted the Subtitle D Regulations governing solid waste landfills. The Subtitle D Regulations, which generally became effective in October 1993, include location restrictions, facility design standards, operating criteria, closure and post-closure requirements, financial assurance requirements, groundwater monitoring requirements, groundwater remediation standards and corrective action requirements. In addition, the Subtitle D Regulations require that new landfill sites meet more stringent liner design criteria (typically, composite soil and synthetic liners or two or more synthetic liners) intended to keep leachate out of groundwater and have extensive collection systems to carry away leachate for treatment prior to disposal. Regulations generally require the Company to install groundwater monitoring wells at virtually all landfills it operates, to monitor groundwater quality and, indirectly, the effectiveness of the leachate collection systems. The Subtitle D Regulations also require facility owners or operators to control emissions of methane gas generated at landfills where certain regulatory thresholds are exceeded. Each state must revise its landfill regulations to meet these requirements or the EPA will automatically impose such requirements upon landfill owners and operators in that state. Each state also must adopt and implement a permit program or other appropriate system to ensure that landfills within the state comply with the Subtitle D regulatory criteria. Various states in which 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 into the "waters of the United States" from a variety of sources, including solid waste disposal sites and transfer stations, processing facilities, and waste-to-energy facilities (collectively, "solid waste management facilities"). If run-off or collected leachate from the Company's solid waste management facilities, or process or cooling waters generated at one of the Company's waste-to-energy facilities, 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. A permit also may be required if that run-off, leachate, or process or cooling water is discharged to a treatment facility that is owned by a local municipality. Numerous states have enacted regulations, which are equivalent to the Clean Water Act, and which also regulate the discharge of pollutants to groundwater. Finally, virtually all solid waste management facilities must comply with the EPA's storm water regulations, which are designed to prevent contaminated storm water runoff from flowing into surface waters.

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 costs of evaluating and addressing 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 be based on the existence of any of more than 700 "hazardous substances" listed by the EPA, many of which can be found in household waste. In addition, the definition of "hazardous substances" in CERCLA incorporates substances designated as hazardous or toxic under the Federal Clean Water Act, Clear Air Act and Toxic Substances Control Act. If 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 also were liable. CERCLA also authorizes EPA to impose a lien in favor of the United States upon all real property subject to, or affected by, a remedial action for all costs for which a party is liable. CERCLA provides a responsible party with the right to bring a contribution action against other responsible parties for their allocable 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 identify and locate other responsible parties and prove the extent of their responsibility and by the financial resources of such other parties.

The Clean Air Act

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 was constructed and the annual volume of emissions. The EPA has promulgated new source performance standards regulating air emissions of certain regulated pollutants (methane and non-methane organic compounds) from municipal solid waste landfills. Landfills located in areas where levels of regulated pollutants exceed certain 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.

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

All of the Federal statutes described above authorize lawsuits by private

citizens to enforce certain provisions of the statutes. In addition to a penalty award to the United States, some of those statutes authorize an award of attorney's fees to 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 to promulgate occupational health and safety standards, including the obligation to maintain a workplace free of recognized hazards likely to cause death or serious injury, to comply with adopted worker protection standards, to maintain certain records, to provide workers with required disclosures and to implement certain health and safety training programs. Various of those promulgated standards may apply to 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, processing, transportation, incineration and disposal of solid waste, water and air pollution and, in most cases, the siting, design, operation, maintenance, closure and post-closure maintenance of solid waste management facilities. In addition, many states have adopted statutes comparable to, and in some cases more stringent than, CERCLA. These statutes impose requirements for investigation and cleanup of contaminated sites and liability for costs and damages associated with such sites, and some authorize 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 actions could materially and adversely affect the business, financial condition and results of operations of any 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 rejected as 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, some proposed Federal legislation would allow states and localities to impose flow restrictions. Those 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 the Company can charge for landfill disposal services. Those restrictions also may 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. 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.

Energy and Utility Regulation

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

The Company's waste-to-energy business is dependent upon its ability to sell the electricity generated by each of its facilities to an electric utility (or, in certain instances, a third-party such as an energy marketer). Those purchases generally occur under long-term power purchase agreements, some of which will expire in the near future. There is no guarantee that new agreements will replace those that expire, or that any new agreement will contain a purchase price, which is as favorable as the one in the expiring agreement. Additionally, in the event that the electric utility industry in a state where the Company generates electricity is deregulated in the future, it is possible that the applicable regulatory agency will require that an existing agreement be renegotiated (the resulting agreement may be less favorable to the Company) or transferred to a third-party.

Executive Officers and Other Key Employees of the Company

The executive officers and other key employees of the Company, their positions, and their ages as of July 21, 2000 are as follows:

Name ----	Age ---	Position -----
Executive Officers -----		
John W. Casella	49	President, Chief Executive Officer, Secretary, Director
Douglas R. Casella	44	Vice Chairman of the Board of Directors, Vice President
James W. Bohlig	54	Senior Vice President and Chief Operating Officer, Director
Jerry S. Cifor	39	Senior Vice President and Chief Financial Officer, Treasurer
Martin J. Sergi	43	Executive Vice President - Business Development, Director
Other Key Employees -----		
Michael Brennan	42	Vice President & General Counsel
Christopher M. DesRoches	42	Vice President, Sales and Marketing
Sean Duffy	40	Regional Vice President
Joseph S. Fusco	36	Vice President, Communications

James M. Hiltner	36	Regional Vice President
Michael Holmes	45	Regional Vice President
Larry B. Lackey	39	Vice President, Permits, Compliance and Engineering
Richard Norris	57	Vice President & Corporate Controller
Alan N. Sabino	40	Regional Vice President
Gary Simmons	50	Vice President, Fleet Management

John W. Casella has served as President and Chief Executive Officer of the Company since 1993, and has been Chairman of the Board of Directors of Casella Waste Management, Inc. since 1977. From 1993 until 1999, Mr. Casella was also the Chairman of the Board of Directors of the Company. Mr. Casella has actively supervised all aspects of Company operations since 1976, sets overall corporate policies, and serves as chief strategic planner of corporate development. Mr. Casella is also an executive officer and director of Casella Construction, a company owned by Mr. Casella and Douglas R. Casella. Mr. Casella has been a member of numerous industry-related and community service-related state and local boards and commissions including the Board of Directors of the Associated Industries of Vermont, The Association of Vermont Recyclers, Vermont State Chamber of Commerce and the Rutland Industrial Development Corporation. Mr. Casella has also served on various state task forces, serving in an advisory capacity to the Governor of Vermont on solid waste issues. Mr. Casella 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 Casella Waste Management, Inc. in 1975, and has been a director of that 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. 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. 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.

Martin J. Sergi has served as Executive Vice President-Business Development of the Company since December 1999. From November 1997 to December 1999, Mr. Sergi served as President of KTI, Inc., prior to its acquisition by the Company. From October 1985 to August 1998, Mr. Sergi served as Chief Financial Officer of KTI, Inc. and from 1985 to December 1999 as Vice Chairman of the Board of Directors.

Michael Brennan joined the company in July 2000 as Vice President and General Counsel. From July 1998 to July 2000, he served as Associate General Counsel for Waste Management, Inc., a waste management company. From January 1996 to July 1998 he served as Senior Counsel and from March 1993 to January 1996 he served as Environmental Counsel for Waste Management, Inc.

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 management company. Mr. DesRoches is a graduate of Arizona State University.

Sean Duffy has served as Regional Vice President of the Company since December 1999. He began in May of 1983 at FCR, Inc. as one of the founders of the FCR, Inc. In 1996, he became the Chief Operating Officer of FCR, Inc. In 1997, he became an executive vice president of FCR. In 1998, he also became the President of FCR Plastics, Inc. In 1999 he became the president of FCR Recycling and was promoted to President of FCR, Inc., where he remained until the Company's acquisition of KTI, Inc. in December 1999, when he became a Regional Vice President of the Company and remains President of FCR Plastics, Inc. and FCR, Inc. Mr. Duffy is a graduate of Central Connecticut State University.

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

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

Michael Holmes has served as a 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 in 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.

Richard Norris joined the Company in July 2000 as Vice President and Corporate Controller. From 1997 to July 2000, Mr. Norris served as Vice President and Chief Financial Officer for Nexcycle, Inc., a processor of secondary materials. From 1986 to 1997, he served as Vice President of Finance, US Operations for Laidlaw Waste Systems, Inc., a waste management company.

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 for Waste Management, Inc. From 1989 to 1994, he served as Region Operations Manager for Chambers Development Company, Inc., a waste management company. Mr. Sabino is a graduate of Pennsylvania State University.

Gary 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.

ITEM 2. PROPERTIES

At July 21, 2000: (A) the Company operated seven landfills, including one operated under a lease expiring in 2021; (B) 39 transfer stations, 24 of which are owned and 15 of which are leased; (C) 39 hauling operations, 27 of which are owned and 12 of which are leased; (D) 40 recyclable operations, 10 of which are owned and 30 of which are leased; (E) 12 power generation facilities, six of which are owned, three of which are leased and three of which are partnership interests; (F) three manufacturing of finished goods operations, two of which are owned and one of which is leased and one cellulose insulation joint venture and (G) utilized 14 corporate office and other administrative facilities, two of which are owned and 12 of which are leased. The Company's landfill operations

are described in Item 1.

Other than the foregoing, at July 21, 2000 the principal fixed assets used by the Company in its solid waste collection and landfill operations included approximately 2,650 collection vehicles, 450 pieces of heavy equipment and 350 support vehicles.

ITEM 3. 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 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). The Company accrued a \$215,000 reserve for this claim during the year ended April 30, 1998.

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

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. On May 12, 2000, the Company filed a motion to dismiss the case on jurisdictional grounds, on which the Court has not yet ruled. The Company believes it has meritorious defenses to this lawsuit.

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. The action is pending in the Penobscot County Superior Court in Bangor, Maine.

The Company is a defendant in a lawsuit brought by Woodstock '99, LLC seeking damages for breach of two service contracts entered into by the Company for the servicing of portable chemical toilets during the Woodstock Concert held in Rome, N.Y. in late July 1999. Woodstock '99, LLC is seeking damages of up to \$2,000,000. The Company intends to vigorously defend the lawsuit and has filed its Answer and Counterclaim, along with extensive discovery requests.

On May 11, 1994, Maine Energy filed a suit in a Maine state court against United Steel Structures, Inc. under a warranty to recover the costs which were, or will be incurred to replace the roof and walls of the Maine Energy tipping and processing building. The judge in the case entered an order awarding Maine Energy approximately \$3.3 million plus interest from May 10, 1994, to the date of the filing of the lawsuit, and court costs. The defendant filed an appeal on December 19, 1997. In February 1999, the appellate court reversed the trial court's verdict in favor of Maine Energy and returned the case to the trial court, which ordered a new trial. The case has been settled in principle by a proposed payment of \$800,000 to Maine Energy. Settlement documents are being prepared.

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 quarter 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.

On April 15, 1999, C.H. Lee, a former employee of FCR and a former majority shareholder of Resource Recycling, Inc., commenced arbitration proceedings with the American Arbitration Association in Charlotte, North Carolina against KTI, FCR and FCR Plastics, Inc. in connection with the acquisition of Resource Recycling by FCR. Mr. Lee alleges that FCR and FCR Plastics acted to frustrate the "earn-out" provisions of the acquisition agreement and thereby precluded Mr. Lee from receiving, or alternatively, reduced, the sums to which he was entitled to under the agreement. He also alleges that FCR and FCR Plastics wrongfully terminated his employment agreement. The claim for arbitration alleges direct charges in excess of \$5.0 million and requests punitive damages, treble damages and attorneys fees. KTI, FCR and FCR Plastics responded to the demand, denying

liability and filed a counterclaim for \$1.0 million for misrepresentations. The arbitration proceeding was held. On June 19, 2000, the arbitration panel determined that FCR was entitled to recover \$7,000 from Mr. Lee.

On July 1, 1999, Michael P. Kuruc filed a demand for arbitration with the American Arbitration Association in Charlotte, North Carolina, seeking approximately \$1.0 million for compensation due under an employment agreement that he alleges he has with KTI and losses allegedly suffered in connection with his sale of KTI common stock. KTI believes that it has meritorious defenses, has retained counsel to defend this suit and has filed an action to stay the arbitration in Mecklenburg County Superior Court in North Carolina. On October 11, 1999, the Superior Court denied KTI's request to stay the arbitration. The matter was subsequently settled by the payment to Mr. Kuruc of approximately \$190,000.

On April 6, 1999, Dennis McDonnell filed a lawsuit in a Florida state court against U.S. Fiber, Inc., a subsidiary of the Company. Mr. McDonnell, a former employee of U.S. Fiber, is seeking a declaratory judgment regarding his rights and obligations under an employment non-competition agreement and an employment

agreement that he previously had signed with two corporations that subsequently were merged with and into U.S. Fiber. The case was settled in 1999 by the payment of \$30,000 to McDonnell.

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 quarterly 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. On June 15, 1999, Mr. Russo and Ms. Miller, together with Fransisco Munero, Timothy Ryan and Steve Storch, moved to consolidate the two complaints. This motion is currently pending in the District Court of New Jersey.

On October 22, 1999, Kyle Trayner filed an action in Putnam Superior Court in Connecticut against K-C International seeking approximately \$400,000 allegedly due for compensation under an employment agreement and for payment on a promissory note issued by K-C International to Mr. Trayner. The Company believes that it has meritorious defenses to these claims. This suit was settled in July 2000 for \$100,000.

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.

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 on behalf of all the defendants on July 21, 2000.

The Company is a defendant in certain other lawsuits alleging various claims incurred in the ordinary course of business.

The Company believes that none of the above lawsuits, either individually or in the aggregate, will be settled in a manner that will have a material impact to its financial condition, results of operations or cash flows.

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

There were no matters submitted to a vote of the security holders during the fiscal quarter ended April 30, 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's Class A Common Stock trades on the Nasdaq National Market under the symbol "CWST". The following table sets forth the high and low sale prices of the Company's Class A Common Stock for the periods indicated as quoted on the Nasdaq National Market.

Period -----	High ----	Low ---
Fiscal 1999		
First quarter	\$31.50	\$24.375
Second quarter	\$34.00	\$24.00
Third quarter.....	\$39.00	\$25.00
Fourth quarter.....	\$27.00	\$17.25
Fiscal 2000		
First quarter	\$27.250	\$19.063
Second quarter	\$26.625	\$12.75
Third quarter	\$19.313	\$13.125
Fourth quarter	\$15.438	\$5.563

On July 21, 2000, the high and low sale prices per share of the Company's Class A Common Stock as quoted on the Nasdaq National Market were \$12.313 and \$12.125, respectively. As of July 21, 2000 there were approximately 470 holders of record of the Company's Class A Common Stock and two holders of record of the Company's Class B Common Stock.

The closing price for the Class A Common Stock on July 21, 2000 was \$12.313. For purposes of calculating the aggregate market value of the shares of common stock of the Company held by nonaffiliates, as shown on the cover page of this report, it has been assumed that all the outstanding shares were held by nonaffiliates except for the shares held by directors and executive officers of the Company. However, this should not be deemed to constitute an admission that all such persons are, in fact, affiliates of the Company, or that there are not other persons who may be deemed to be affiliates of the Company.

No dividends have ever been declared or paid on the Company's capital stock and the Company does not anticipate paying any cash dividends on the Common Stock in the foreseeable future. The Company's credit facility restricts the payment of dividends.

Sales of Unregistered Securities

No unregistered securities of the Company were sold by the Company during the fiscal year ended April 30, 2000 that were not previously reported by the Company in its quarterly reports on Form 10-Q.

ITEM 6. 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 and cash flows for the fiscal years ended April 30, 1998, 1999 and 2000, and the consolidated balance sheets as of April 30, 1999 and 2000 are derived from the Company's consolidated financial statements included elsewhere in this Form

10-K, and the consolidated statements of operations and cash flows data for the fiscal years ended April 30, 1996 and 1997 and the consolidated balance sheet data as of April 30, 1996, 1997 and 1998 are derived from the Company's consolidated financial statements, all of which have been audited by Arthur Andersen LLP. During the year ended April 30, 2000, the Company completed two mergers, which were accounted for as poolings of interests. Accordingly, the Company's financial and operating data for all periods presented have been restated to reflect the financial position, results of operations and cash flows of the merged entities as if they had been one company. The data set forth below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements and Notes thereto included elsewhere in this Form 10-K.

Casella Waste Systems, Inc.
Selected Consolidated Financial And Operating Data
(In thousands, except share and per share data)

	Fiscal Year Ended April 30, (1)				
	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Statement of Operations Data:					
Revenues	\$ 337,347	\$ 182,557	\$ 143,711	\$ 103,520	\$ 58,932
Cost of operations	210,730	108,874	89,582	65,460	35,878
General and administrative	42,116	26,616	20,926	16,139	10,416
Depreciation and amortization	40,211	25,725	19,959	15,371	9,206
Merger-related costs	1,490	1,951	290	--	--
Loss on impairment of long-lived assets	--	--	1,571	--	--
	-----	-----	-----	-----	-----
Operating income	42,800	19,391	11,383	6,550	3,432
Interest expense, net	15,034	5,564	7,373	4,940	--
Other expense (income), net	2,165	(352)	(337)	846	3,168
	-----	-----	-----	-----	-----
Income before provision for income taxes, discontinued operations and extraordinary items	25,601	14,179	4,347	764	264
Provision for income taxes	12,258	7,531	2,512	681	148
Discontinued operations	(1,662)	(33)	--	--	--
Extraordinary items, net	(631)	--	--	--	326
	-----	-----	-----	-----	-----
Net income (loss)	\$ 11,050	\$ 6,615	\$ 1,835	\$ 83	\$ (210)
Accretion of preferred stock and put warrants	--	--	(5,738)	(8,530)	(2,967)
	-----	-----	-----	-----	-----
Net income (loss) applicable to common stockholders	\$ 11,050	\$ 6,615	\$ (3,903)	\$ (8,447)	\$ (3,177)
	=====	=====	=====	=====	=====
Basic net income (loss) per common share	\$ 0.59	\$ 0.44	\$ (0.41)	\$ (1.52)	\$ (0.71)
	=====	=====	=====	=====	=====
Basic weighted average common shares outstanding (2)	18,731	15,145	9,547	5,548	4,504
	=====	=====	=====	=====	=====
Diluted net income (loss) per common share	\$ 0.57	\$ 0.41	\$ 0.41	\$ (1.52)	\$ (0.71)
	=====	=====	=====	=====	=====
Diluted weighted average common shares outstanding (2)	19,272	16,019	9,547	5,548	4,504
	=====	=====	=====	=====	=====

Casella Waste Systems, Inc.
Selected Consolidated Financial And Operating Data
(In thousands, except share and per share data)

Fiscal Year Ended April 30, (1)

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Other Operating Data:					
Capital expenditures	\$ (69,455)	\$ (54,118)	\$ (29,416)	\$ (20,825)	\$ (12,293)
	=====	=====	=====	=====	=====
Other Data:					
Cash flows from operating activities	\$ 41,585	\$ 37,727	\$ 21,079	\$ 17,280	\$ 9,840
	=====	=====	=====	=====	=====
Cash flows from investing activities	\$ (156,343)	\$ (95,976)	\$ (61,263)	\$ (56,495)	\$ 29,547
	=====	=====	=====	=====	=====
Cash flows from financing activities	\$ 119,390	\$ 59,154	\$ 40,673	\$ 40,116	\$ 19,164
	=====	=====	=====	=====	=====
Adjusted EBITDA (3)	\$ 83,011	\$ 45,116	\$ 32,913	\$ 21,921	\$ 12,638
	=====	=====	=====	=====	=====
Balance Sheet Data:					
Cash and cash equivalents	\$ 8,864	\$ 4,232	\$ 3,327	\$ 2,838	\$ 1,938
	=====	=====	=====	=====	=====
Working capital (deficit)	\$ 84,302	\$ 6,117	\$ 4,210	\$ (4,554)	\$ (716)
	=====	=====	=====	=====	=====
Property and equipment, net	\$ 379,086	\$ 131,076	\$ 91,451	\$ 75,626	\$ 43,528
	=====	=====	=====	=====	=====
Total assets	\$ 872,177	\$ 282,129	\$ 205,509	\$ 153,366	\$ 74,650
	=====	=====	=====	=====	=====
Long-term obligations, less current maturities	\$ 440,804	\$ 86,739	\$ 83,681	\$ 82,187	\$ 28,165
	=====	=====	=====	=====	=====
Redeemable preferred stock	\$ --	\$ --	\$ --	\$ 31,426	\$ 22,896
	=====	=====	=====	=====	=====
Redeemable put warrants (4)	\$ --	\$ --	\$ --	\$ 400	\$ 400
	=====	=====	=====	=====	=====
Total stockholders' equity	\$ 274,718	\$ 147,978	\$ 83,764	\$ 35,449	\$ 25,451
	=====	=====	=====	=====	=====

- (1) The Company has restated its consolidated statements of operations and consolidated statements of cash flows to reflect the mergers with Resource Waste Systems, Inc. and Corning Community Disposal, Inc. consummated during the year ended April 30, 2000, accounted for using the pooling of interests method of accounting. See Note 2 of the Notes to Consolidated Financial Statements.
- (2) Computed on the basis described in Note 1 of Notes to Consolidated Financial Statements.
- (3) Adjusted EBITDA is defined as operating income plus depreciation and amortization and loss on impairment of long-lived assets. Adjusted 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, Adjusted 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 adjusted 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 adjusted 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 adjusted EBITDA is not calculated by all companies and analysts in the same fashion, the adjusted EBITDA measures presented by the Company may not be comparable to similarly titled measures reported by other companies. Therefore, in evaluating adjusted EBITDA data, investors should consider, among other factors: the non-GAAP nature of adjusted 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 adjusted EBITDA data to similarly-titled measures reported by other companies. For more information about the Company's cash flows, see the

Consolidated Statements of Cash Flows in the Company's Consolidated Financial Statements.

- (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, in September 1997, warrants to purchase 25,000 shares were exercised by the holder at \$6.00 per share, and warrants to purchase 75,000 shares were called by the Company at \$7.00 per share.

ITEM 7. 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, and other financial information included elsewhere in this Form 10-K.

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 also markets recyclable metals, aluminum, plastics, paper and corrugated cardboard all processed at its facilities and recyclables purchased from third parties. The Company also generates electricity under its contracts with its two majority owned subsidiaries, Maine Energy Recovery Company LP ("Maine Energy") and Penobscot Energy Recovery Company LP ("PERC"), and through its wholly owned subsidiary, Timber Energy Resource, Inc. ("TERI"). As of July 21, 2000, the Company owned and/or operated five Subtitle D landfills, two landfills permitted to accept construction and demolition materials, 39 transfer stations, 40 recycling processing facilities, 39 solid and liquid waste collection divisions, 12 power generation facilities, 3 finished products processing facilities and its cellulose insulation joint venture.

The Company's revenues have increased from \$38.6 million for the fiscal year ended April 30, 1995, to \$337.3 million for the fiscal year ended April 30, 2000. From May 1, 1994 through April 30, 2000, the Company acquired 167 solid waste collection, transfer and disposal operations, as well as KTI, Inc. ("KTI") in December 1999. Under the rules of purchase accounting the acquired companies' revenues and results of operations have been included together with those of the Company 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 year ended April 30, 2000, the Company acquired two waste collection, transfer and disposal operations in transactions accounted for as poolings of interests. Under the rules governing poolings of interests, the prior period and year to date financial statements of the Company have been restated for all prior years to reflect the financial position, results of operations and cash flows of the merged entities as if they had been one company for all periods presented in the accompanying financial statements.

This Form 10-K 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 Form 10-K that are not statements of historical fact may be deemed to be forward-looking statements, and the words "believes", "anticipates", "plans", "expects", and similar expressions are intended to identify forward-looking statements. There are a number of 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 statement, certain of which are beyond the Company's control. These factors include, without limitation, those outlined below in the section entitled "Certain Factors That May Affect Future Results". The Company's failure to successfully address any of these factors could have a material adverse effect on the Company's results of operations.

General

The Company's revenues are attributable primarily to fees charged to customers for solid and disposal waste collection, 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 the Company's disposal and transfer customers are under one 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, operations and maintenance contracts of recycling facilities for municipal customers, recyclable brokering operations and from the

sale of tire derived fuel. The Company, as a result of the KTI acquisition, provides integrated waste handling services, including processing and recycling of wood, paper, metals, aluminum, 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, primarily consisting of cellulose insulation manufacturing, using recyclable materials. Effective August 1, 2000, the Company contributed its cellulose insulation assets to a joint venture with Louisiana-Pacific, and accordingly, will recognize half of the joint venture's net income/(loss). The Company emphasizes the use of low-cost processing to add value to the waste products delivered and, in some cases, the generation of electric power and steam. The Company operates these non-core businesses under four reportable line of business segments: Waste-to-Energy, Residential Recycling, Commercial Recycling and Finished Products. These line of business segments are reflected in the Company's revenues as follows: Waste-to-Energy is reflected under "disposal", Residential Recycling is reflected under "recycling", Commercial Recycling is reflected under "recycling" and "brokerage", and Finished Products is reflected under its own line. 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 1999 is primarily attributable to the impact of the Company's acquisition of collection businesses during these periods, as well as to internal growth through price and business volume increases. The decrease in the Company's collection revenues as a percentage of revenues in fiscal 2000 is primarily attributable to the effects of the KTI acquisition. Significant recycling, finished products and brokerage revenues were added through that acquisition. The decrease in the Company's landfill revenues and in the Company's transfer revenues as a percentage of revenues in fiscal 1999 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 or disposal revenues, the acquired revenues are recorded by the Company as collection revenues. The increase in the Company's landfill/disposal facilities revenues and the Company's transfer revenues as a percentage of revenue in fiscal 2000 is primarily attributable to the effects of the KTI acquisition.

	% of Revenues		

	Year Ended April 30,		

	1998	1999	2000
	-----	-----	-----
Collection	77.7%	80.5%	49.1%
Landfill/Disposal Facilities	10.3	8.4	15.1
Transfer	4.9	4.6	6.4
Recycling	5.5	5.9	7.5
Finished Products	0.0	0.0	4.2
Brokerage	0.0	0.0	15.1
Other	1.6	0.6	2.6
	-----	-----	-----
Total Revenues	100.0%	100.0%	100.0%
	=====	=====	=====

Cost of operations includes labor, tipping fees paid to third party disposal facilities, fuel, maintenance and repair of vehicles and equipment, worker's compensation and vehicle insurance, the cost of purchasing materials to be recycled, third party transportation expense, district and state taxes, host

community fees and royalties. Landfill operating expenses also include a provision for closure and post-closure expenditures anticipated to be incurred in the future, and leachate treatment and disposal costs.

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

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

assets, excluding non-depreciable land, down to a zero net book value, and does not apply a salvage value to any of its fixed assets.

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

Results of Operations

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

	% of Revenues		

	Year ended April 30,		

	1998	1999	2000
	-----	-----	-----
Revenues.....	100.0%	100.0%	100.0%
Cost of operations.....	62.3	59.6	62.5
General and administrative.....	14.6	14.6	12.5
Merger related costs.....	0.2	1.1	0.4
Depreciation and amortization.....	13.9	14.1	11.9
Loss on impairment of long-lived assets.....	1.1	0.0	0.0
	-----	-----	-----
Operating income.....	7.9	10.6	12.7
Interest expense, net.....	5.1	3.1	4.5
Other (income) expenses, net.....	(0.2)	(0.2)	0.6
Provision for income taxes.....	1.7	4.1	3.6
	-----	-----	-----
Net income before discontinued operations and extraordinary item	1.3	3.6	4.0
	=====	=====	=====
Adjusted EBITDA*.....	22.9%	24.7%	24.6%

* See discussion and computation of adjusted EBITDA below.

Fiscal Year Ended April 30, 2000 versus April 30, 1999

REVENUES:

Revenues increased approximately \$154.7 million, or 84.7% to \$337.3 million in fiscal 2000 from \$182.6 million in fiscal 1999. Approximately \$138.7 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. In addition, the balance of the increase of approximately \$16.0 million was attributable to internal volume and price growth, including the positive impact of higher average recyclable commodity prices in fiscal 2000 compared to fiscal 1999.

COST OF OPERATIONS:

Cost of operations increased approximately \$101.8 million or 93.5% to \$210.7 million in fiscal 2000 from \$108.9

million in fiscal 1999. Cost of operations as a percentage of revenues increased to 62.5% in fiscal 2000 from 59.6% in fiscal 1999. 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 15% of the Company's revenues in fiscal 2000, versus 0% in fiscal 1999. Additionally, the finished products line of business carries a lower operating margin than the Company's core solid waste business operations.

GENERAL AND ADMINISTRATIVE:

General and administrative expenses increased approximately \$15.5 million, or 58.2% to \$42.1 million in fiscal 2000 from \$26.6 million in fiscal 1999. General and administrative expenses as a percentage of revenues decreased to 12.5% in 2000 from 14.6% in fiscal 1999. 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 6%). 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 2000.

MERGER-RELATED COSTS:

Merger-related costs consist of legal, engineering, accounting and other costs associated with the various poolings of interests consummated during fiscal 1999 and fiscal 2000. Four such transactions occurred during fiscal 1999 and two occurred in fiscal 2000, resulting in a decrease of \$0.5 million or 23.6%. Merger related costs as a percentage of revenues decreased to 0.4% in fiscal 2000 from 1.1% in fiscal 1999.

DEPRECIATION AND AMORTIZATION:

Depreciation and amortization expenses increased \$14.5 million, or 56.4%, to \$40.2 million in fiscal 2000 from \$25.7 million in fiscal 1999. Depreciation and amortization expenses as a percentage of revenue decreased to 11.9% in fiscal 2000 from 14.1% in fiscal 1999. The decrease in depreciation and amortization expenses as a percentage of revenues was the result of the Company's acquisition of KTI. KTI carried lower depreciation expense as a percentage of revenues (approximately 7%) than the Company (approximately 14.5%).

INTEREST EXPENSE, NET:

Net interest expense increased approximately \$9.4 million, or 167.9% to \$15.0 million in fiscal 2000 from \$5.6 million in fiscal 1999. Interest expense, net, as a percentage of revenues, increased to 4.5% in 2000 from 3.1% in fiscal 1999. The increase in net interest expense as a percentage of revenues is primarily attributable to two factors. They are as follows: (i) higher average debt balance in fiscal 2000, versus fiscal 1999 and (ii) the Company closed on a new \$450 million senior credit facility in December 1999 that raised the Company's borrowing cost by approximately 200 basis points over the Company's previous senior credit facility.

OTHER (INCOME)/EXPENSE (INCLUDING MINORITY INTEREST AND EQUITY IN LOSS ON UNCONSOLIDATED SUBSIDIARY):

Other (income)/expense increased \$2.6 million, or 650%, to \$2.2 million in fiscal 2000 from \$(0.4) million in fiscal 1999. Other (income)/expense, as a percentage of revenues, increased to 0.6% in fiscal 2000 from (0.2%) in fiscal

1999. The other (income)/expense in fiscal 2000 is primarily attributable to the loss on sale of certain assets in the fourth quarter of fiscal 2000, and the equity loss on KTI's investment in Oakhurst.

PROVISION FOR INCOME TAXES:

Provision for income taxes increased \$4.8 million, or 64.0%, to \$12.3 million in fiscal 2000 from \$7.5 million in fiscal 1999. Provision for income taxes, as a percentage of revenues, decreased to 3.6% in fiscal 2000 from 4.1% in fiscal 1999. The increase is primarily due to the Company's increase in profitability in fiscal 2000 compared to fiscal 1999. An additional factor causing provision for income taxes, as a percentage of pre-tax net income to vary was poolings of interest resulting in prior period restatements of entities not liable for federal income tax due to Subchapter S Status.

Fiscal Year Ended April 30, 1999 versus April 30, 1998

REVENUES:

Revenues increased \$38.9 million, or 27.1%, to \$182.6 million in fiscal 1999 from \$143.7 million in fiscal 1998. Approximately \$29.2 million of the increase was attributable to the impact of businesses acquired throughout fiscal

1998 and fiscal 1999. In addition, approximately \$9.6 million of the increase was attributable to internal volume and price growth (net of the negative impact of lower average recycled commodity prices in fiscal 1999 compared to fiscal 1998).

COST OF OPERATIONS:

Cost of operations increased approximately \$19.3 million, or 21.5%, to \$108.9 million in fiscal 1999 from \$89.6 million in fiscal 1998, an increase corresponding primarily to the Company's revenue growth described above. Cost of operations as a percentage of revenues decreased to 59.6% in fiscal 1999 from 62.3% in fiscal 1998. The decrease was primarily the result of: (i) productivity improvements in the Company's collection operations as a result of better route density from acquisitions, routing efficiencies through route audits and front-end loader vehicle conversions completed throughout fiscal 1998 and 1999; (ii) margin improvements because of price increases in fiscal 1998 and 1999 and (iii) higher landfill internalization due to the Hyland landfill becoming operational in July 1998.

GENERAL AND ADMINISTRATIVE:

General and administrative expenses increased approximately \$5.7 million, or 27.3%, to \$26.6 million in fiscal 1999 from \$20.9 million in fiscal 1998. General and administrative expenses as a percentage of revenues remained constant at 14.6% from fiscal 1998 to fiscal 1999 due primarily to an increase in management information systems spending and public company expenditures for a full year in fiscal 1999 compared to a partial year in fiscal 1998. This increase was substantially offset by two acquisitions accounted for using the pooling of interest method. These acquisitions had relatively low general and administrative costs as a percentage of revenue.

MERGER-RELATED COSTS:

Merger-related costs consists of legal, engineering, accounting and other costs associated with the various poolings of interests consummated during fiscal 1998 and 1999. One such transaction occurred during fiscal 1998 and four occurred during fiscal 1999, resulting in an increase of \$1.7 million or 573%. Merger-related costs as a percentage of revenue increased from 0.2% in fiscal 1998 to 1.1% in fiscal 1999.

DEPRECIATION AND AMORTIZATION:

Depreciation and amortization expense increased \$5.7 million, or 28.5%, to \$25.7 million in fiscal 1999 from \$20.0 million in fiscal 1998. As a percentage of revenues, depreciation and amortization expense increased to 14.1% in fiscal 1999 from 13.9% in fiscal 1998. The increase in depreciation and amortization expense as a percentage of revenues was primarily the result of: (i) higher rates of disposal internalization due to the opening of the Hyland landfill, (ii) higher landfill volumes in fiscal 1999 compared to fiscal 1998, resulting in higher landfill amortization expense, and (iii) front-end loader conversions resulting in double container depreciation charges at certain locations.

LOSS ON IMPAIRMENT OF LONG-LIVED ASSETS:

The Company recognized losses on impairment of long-lived assets in the fourth quarter of fiscal 1998 in the amount of \$1.6 million. The impairment charges were non-cash charges to write down the assets of the Company's waste tire

processing facility in Eliot, Maine and the Grasslands composting facility in Malone, New York to their fair market values as of April 30, 1998.

INTEREST EXPENSE, NET:

Net interest expense decreased approximately \$1.8 million, or 24.3%, to \$5.6 million in fiscal 1999 from \$7.4 million in fiscal 1998. This decrease primarily reflects decreased average indebtedness in fiscal 1999, resulting from debt payoffs following the public stock offerings in October 1997 and July 1998, from the increased use of the Company's Class A Common Stock in effecting acquisitions, and from improved collections efforts. Days sales in accounts receivable was 45.3 at April 30, 1999 compared to 50.3 at April 30, 1998. The Company capitalized a total of \$0.5 million in interest expense in fiscal 1999, compared to a total of \$1.1 million in fiscal 1998.

OTHER (INCOME) EXPENSE, NET:

Net other (income) expense was not material to the Company's results of operations in fiscal 1998 and 1999.

PROVISION FOR INCOME TAXES:

Provision for income taxes increased approximately \$5.0 million, or 200.0%, to \$7.5 million in fiscal 1999

from \$2.5 million in fiscal 1998. This increase reflects the Company's increase in profitability in fiscal 1999 compared to fiscal 1998. The other primary factors causing income tax expense as a percentage of pre-tax net income to vary were: (i) the recording of a fixed asset impairment charge in fiscal 1998 which was non-deductible for income tax purposes and (ii) poolings of interests resulting in prior period restatements of entities not liable for federal income tax due to Subchapter S status.

Liquidity and Capital Resources

The Company's business is capital intensive. The Company's capital requirements include acquisitions, fixed asset purchases and capital expenditures for landfill development, cell construction, and site and cell closure. Because of these needs the Company has in the past had working capital deficits. The Company had positive net working capital of \$84.3 million at April 30, 2000 compared to \$6.1 million positive net working capital at April 30, 1999.

The Company has a \$450 million revolving line of credit with a group of banks for which BankBoston, N.A. is acting as agent. This line of credit consists of a \$300 million Senior Secured Revolving Credit Facility ("Revolver") and a \$150 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 \$71.1 million at April 30, 2000.

On June 28, 2000, the Company entered into an agreement with Berkshire Partners pursuant to which it agreed to sell Berkshire redeemable convertible preferred stock, which is convertible into the Company's Class A Common Stock at \$14.00 per share. The Company expects to raise approximately \$55.8 million in the transaction, which is expected to close in August 2000.

The Company believes that its cash provided internally from operations together with the Company's available credit facilities and the preferred stock financing should enable it to meet its needs for working capital for the next twelve months.

Net cash provided by operations for the fiscal years ended April 30, 2000 and April 30, 1999 was \$41.6 million and \$37.7 million, respectively. The increase was primarily due to the increase in the Company's net income for the fiscal year 2000, net of non-cash depreciation and amortization expense, which was partially offset by an increase in net working capital.

Net cash provided by operations in fiscal 1999 increased to \$37.7 million from \$21.1 million in fiscal 1998 primarily due to increases in net income, net of non-cash depreciation and amortization expense.

For fiscal 2000 and fiscal 1999, cash used in investing activities was \$156.3 million and \$96.0 million, respectively. The increase in investing activities reflects the Company's capital expenditure and capital needs for acquisitions which have increased significantly, reflecting the Company's rapid growth by

acquisition and development of revenue producing assets. The Company's cash needs to fund investing activities are expected to increase further as the Company continues to complete acquisitions. For fiscal 1998, cash used in investing activities was \$61.3 million.

For fiscal 2000 and fiscal 1999, the Company's financing activities provided cash of \$119.4 million and \$59.2 million, respectively. Net cash provided by financing activities was \$40.7 million in the fiscal year ended April 30, 1998. The net cash provided by financing activities in the fiscal years ended April 30, 2000 and 1999 primarily reflects the net proceeds of the Company's secondary public stock offering and borrowings on the Company's credit facility, offset by repayments. Net cash provided by financing activities in fiscal 1998 reflects primarily bank borrowings and seller subordinated notes, less principal payments on debt.

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 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.

Year 2000 Issues

As of the date of this filing, the Company has not incurred any significant business disruptions as a result of Year 2000 issues.

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 timing or 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 and loss on impairment of long-lived assets. 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.

Fiscal Year Ended April 30,

(Restated)

	1998	1999	2000
Operating Income	\$11,383	\$19,391	\$42,800
Depreciation and Amortization	19,959	25,725	40,211
Loss on Impairment of Long-Lived Assets (1)	1,571	0	0
Adjusted EBITDA	\$32,913	\$45,116	\$83,011
EBITDA as a percentage of revenues	22.9%	24.7%	24.6%

(1) See Note 1 of Notes to Consolidated Financial Statements.

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

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

The following important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Form 10-K 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 assume 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.

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 consistent with our strategy. 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 either John Casella or James Bohlig ceases 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 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 operation 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 wastepaper, 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 wastepaper 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. Our 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 resulting primarily from:

- the volume of solid waste relating to construction and demolition activities decreasing substantially during the winter months in the northeastern United States; and

- decreased tourism in Vermont, Maine, New Hampshire and eastern New York during the winter months, which tends to lower the volume of solid waste generated by commercial and restaurant customers, which is only partially offset by the winter ski industry.

Since some of our operating and fixed costs remain constant throughout the fiscal year, our operating income is seasonally impacted. In addition, particularly harsh weather conditions could result in increased operating costs for some of our operations.

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 enough acquisitions in other markets to lessen our regional geographic concentration.

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.

Our finished products divisions and our insulation manufacturing joint venture with Louisiana-Pacific compete with other parties, some of which have substantially greater resources than we do, which they could use for product development, marketing or other purposes to our detriment.

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 that may be produced by 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 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 July 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 July 21, 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 34.7% 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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is subject to interest rate fluctuation risk with regards to its variable rate revolving credit facility. To modify the risk from these possible interest-rate fluctuations, the Company enters into hedging transactions that have been authorized pursuant to the Company's policies and procedures. The Company does not use financial instruments for trading purposes and is not a party to any leveraged derivatives.

In April 2000, the Company entered into two three-year interest rate swap agreements (the "Swap Agreements") with two banks. The purpose was to effectively convert a portion of the Company's interest rate exposure on advances under its revolving credit facility from a floating rate to a fixed rate. The Swap Agreements effectively fix the Company's interest rate on the notional amount of \$100 million, \$50 million is fixed at 6.875% and \$50 million is swapped in a collar arrangement with interest between 6.28% and 9.0%. Net monthly payments or monthly receipts under the Swap Agreements are recorded as adjustments to interest expense. The Company also has an existing, five year Swap Agreement which fixes the Company's interest rate on the notional amount \$45 million. The rate is fixed at 5.2% and expires in January 2001. In addition, in the event of nonperformance by the counterparty, the Company would be exposed to interest rate risk on the entire balance in the event the variable interest rate paid was to exceed the fixed rate paid under the terms of the Swap Agreements. If interest rates changed by 100 basis points, the impact on the Company would be an increase or decrease in annual interest expense of approximately \$1.5 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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, 1999 and 2000, and the related consolidated statements of operations, redeemable preferred stock, redeemable put warrants and stockholders' equity and cash flows for each of the three years ended April 30, 2000. 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 auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 1999 and 2000, and the results of their operations and their cash flows for each of the three years ended April 30, 2000, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

/s/ Arthur Andersen LLP

Boston, Massachusetts
June 30, 2000

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	April 30, 1999	April 30, 2000
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 4,232	\$ 8,864
Restricted Cash	626	17,609
Accounts Receivable - Trade, net of allowance for doubtful accounts of \$1,430 and \$6,247	22,815	80,720
Accounts Receivable - Other	--	14,429
Notes Receivable - Officers/Employees	--	2,095
Prepaid Expenses	3,528	5,929
Inventory	889	10,986
Investments	--	5,156
Deferred Income Taxes	1,016	12,730
Other Current Assets	3,188	10,299
Total Current Assets	36,294	168,817
PROPERTY, PLANT AND EQUIPMENT, at Cost:		
Land and Land Held for Investment	7,258	11,784
Landfills	50,736	64,254
Landfill Development	7,559	10,353
Buildings and Improvements	24,727	45,494
Machinery and Equipment	23,653	230,852
Rolling Stock	57,487	78,740
Containers	26,679	34,761
	198,099	476,238
Less: Accumulated Depreciation and Amortization	(67,023)	(97,152)
Property, Plant and Equipment, net	131,076	379,086

OTHER ASSETS:		
Intangible Assets, net	104,199	294,283
Restricted Cash	4,834	10,881
Investment in OCI/New Heights	--	14,695
Other Non-Current Assets	5,726	4,415
	-----	-----
	114,759	324,274
	-----	-----
	\$ 282,129	\$ 872,177
	=====	=====

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands, except for per share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	April 30, 1999	April 30, 2000
-----	-----	-----
CURRENT LIABILITIES:		
Current Maturities of Long-Term Debt	\$ 5,344	\$ 8,367
Current Maturities of Capital Lease Obligations	402	788
Accounts Payable	17,883	43,335
Accrued Payroll and Related Expenses	857	5,536
Accrued Interest	167	3,994
Accrued Income Taxes	--	3,766
Accrued Closure and Post-Closure Costs, Current Portion	330	259
Deferred Revenue	2,648	3,317
Other Current Liabilities	2,546	15,153
	-----	-----
Total Current Liabilities	30,177	84,515
	-----	-----
Long-Term Debt, Less Current Maturities	86,739	440,804
	-----	-----
Capital Lease Obligations, Less Current Maturities	1,454	3,748
	-----	-----
Deferred Income Taxes	5,710	30,948
	-----	-----
Accrued Closure and Post-Closure Costs, Less Current Maturities	9,677	12,017
	-----	-----
Minority Interest	--	16,378
	-----	-----
Other Long-Term Liabilities	394	9,049
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Class A Common Stock -		
Authorized - 100,000,000 Shares, \$0.01 par value		
Issued and Outstanding - 14,869,000 and 22,215,000 Shares as of April 30, 1999 and 2000, respectively	149	222
Class B Common Stock -		
Authorized - 1,000,000 Shares, \$0.01 par value 10 Votes per Share, Issued and Outstanding -988,000 Shares as of April 30, 1999 and 2000	10	10
Accumulated Other Comprehensive Loss	--	(305)
Additional Paid-In Capital	154,733	270,655
Retained Earnings/(Accumulated Deficit)	(6,914)	4,136
	-----	-----
Total Stockholders' Equity	147,978	274,718
	-----	-----
	\$ 282,129	\$ 872,177
	=====	=====

The accompanying notes are an integral part of these

consolidated financial statements.

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

	Fiscal Year Ended April 30,		
	1998	1999	2000
Revenues	\$ 143,711	\$ 182,557	\$ 337,347
Operating Expenses:			
Cost of Operations	89,582	108,874	210,730
General and Administration	20,926	26,616	42,116
Depreciation and Amortization	19,959	25,725	40,211
Merger Related Costs	290	1,951	1,490
Loss on Impairment of Long-Lived Assets	1,571	--	--
	132,328	163,166	294,547
Operating Income	11,383	19,391	42,800
Other (Income)/Expense:			
Interest Income	(265)	(77)	(1,307)
Interest Expense	7,638	5,641	16,341
Minority Interest	--	--	502
Equity in Loss of OCI/New Heights	--	--	1,062
Other Expenses/(Income)	(337)	(352)	601
Other Expenses, net	7,036	5,212	17,199
Income from Continuing Operations Before Income Taxes, Discontinued Operations and Extraordinary Item	4,347	14,179	25,601
Provision for Income Taxes	2,512	7,531	12,258
Income from Continuing Operations Before Discontinued Operations and Extraordinary Item	1,835	6,648	13,343
Discontinued Operations:			
Loss from Discontinued Operations, net of Income Taxes	--	(33)	(269)
Estimated Loss on Disposal of Discontinued Operations, net of Income Taxes	--	--	(1,393)
Extraordinary Item - Early Extinguishment of Debt, net of Income Taxes	--	--	(631)
Net Income	1,835	6,615	11,050
Accretion of Preferred Stock and Put Warrants	(5,738)	--	--
Net Income/(Loss) Applicable to Common Stockholders	\$ (3,903)	\$ 6,615	\$ 11,050

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

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

	Fiscal Year Ended April 30,		
	1998	1999	2000

Balance, April 30, 2000 -----
 -- \$ -- \$ -- \$ -- \$ -- \$ --

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF REDEEMABLE PREFERRED STOCK, REDEEMABLE PUT
 WARRANTS AND STOCKHOLDERS' EQUITY
 (In thousands)

	Stockholders' Equity				
	Redeemable Put Warrants	Class A Common Stock		Class B Common Stock	
		# of Shares	Par Value	# of Shares	Par Value
Balance, April 30, 1997	\$ 400	5,093	\$ 51	1,000	\$ 10
Issuance of Class A Common Stock-Net of Issuance Costs		3,000	30		
Issuance of Class A Common Stock in Various Acquisitions- Net of Retirements		103	1		
Issuance of Class A Common Stock in Connection with Exercise of Warrants/Options		192	2		
Exercise and Call of Redeemable Put Warrants	(400)	25			
Accretion of Preferred Stock and Issuance Costs					
Conversion of Convertible Preferred Stock		3,733	38		
Redemption of Mandatorily Redeemable Preferred Stock					
Conversion of Class B Common into Class A		12		(12)	
Equity Transactions/ Adjustments to Poolings					
Net Income					
Balance, April 30, 1998	\$ --	12,158	\$ 122	988	\$ 10
Issuance of Class A Common Stock-Net of Issuance Costs		2,061	20		
Issuance of Class A Common Stock in Connection with Exercise of Warrants/Options		582	6		
Tax Benefit of Stock Options Exercised					
Equity Transactions/Adjustments to Poolings		68	1		
Net Income					
Balance, April 30, 1999	\$ --	14,869	\$ 149	988	\$ 10
Issuance of Class A Common Stock and Stock Options - KTI Acquisition		7,152	72		
Issuance of Class A Common Stock in Connection with Exercise of Warrants/Options		194	1		
Equity transactions of Majority- Owned Subsidiary					
Comprehensive Income					
Net Income					
Unrealized Loss on Securities					
Total Comprehensive Income					
Balance, April 30, 2000	\$ --	22,215	\$ 222	988	\$ 10

Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated- Other Comprehen- sive (Loss)	Total Stock- holders' Equity
----------------------------------	--	--	---------------------------------------

Balance, April 30, 1997	----- \$ 11,661	----- \$ (8,099)	----- \$ --	----- \$ 3,623
Issuance of Class A Common Stock-Net of Issuance Costs	48,428			48,458
Issuance of Class A Common Stock in Various Acquisitions- Net of Retirements	1,599			1,600
Issuance of Class A Common Stock in Connection with Exercise of Warrants/Options	716			718
Exercise and Call of Redeemable Put Warrants	250	(225)		25
Accretion of Preferred Stock and Issuance Costs		(5,513)		(5,513)
Conversion of Convertible Preferred Stock	33,932			33,970
Redemption of Mandatorily Redeemable Preferred Stock				--
Conversion of Class B Common into Class A				--
Equity Transactions/ Adjustments to Poolings	(188)	(764)		(952)
Net Income		1,835		1,835
Balance, April 30, 1998	----- \$ 96,398	----- \$ (12,766)	----- \$ --	----- \$ 83,764
Issuance of Class A Common Stock-Net of Issuance Costs	52,211			52,231
Issuance of Class A Common Stock in Connection with Exercise of Warrants/Options	3,805			3,811
Tax Benefit of Stock Options Exercised	2,220			2,220
Equity Transactions/Adjustments to Poolings	99	(763)		(663)
Net Income		6,615		6,615
Balance, April 30, 1999	----- \$154,733	----- \$ (6,914)	----- \$ --	----- \$147,978
Issuance of Class A Common Stock and Stock Options - KTI Acquisition	113,788			113,860
Issuance of Class A Common Stock in Connection with Exercise of Warrants/Options	859			860
Equity transactions of Majority- Owned Subsidiary	1,275			--
Comprehensive Income Net Income		11,050		--
Unrealized Loss on Securites			(305)	--
Total Comprehensive Income				10,745
Balance, April 30, 2000	----- \$270,655	----- \$ 4,136	----- \$ (305)	----- \$274,718

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

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

	Fiscal Year Ended April 30,		
	----- 1998 -----	----- 1999 -----	----- 2000 -----
Cash Flows from Operating Activities:			
Net Income	\$ 1,835	\$ 6,615	\$ 11,050
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities -			
Depreciation and Amortization	19,959	25,725	40,211
Loss on/from Discontinued Operations	--	33	1,662
Extraordinary Item	--	--	631
Loss on Impairment of Long-Lived Assets	1,571	--	--
(Gain)/Loss on Sale of Fixed Assets	(335)	3	840
Provision for Deferred Income Taxes	2,237	1,647	4,094
Minority Interest	--	--	502

Non-Cash Employee Compensation	60	--	--
Changes in Assets and Liabilities, net of Effects of Acquisitions -			
Accounts Receivable	(1,819)	(1,754)	(14,186)
Deferred Income Taxes	(474)	(1,089)	7,845
Accounts Payable	1,486	4,349	(2,498)
Accrued Closure and Post-Closure Costs	(1,763)	2,099	2,269
Other Current Assets and Liabilities	(1,678)	99	(10,385)
	-----	-----	-----
	19,244	31,112	30,535
	-----	-----	-----
Net Cash Provided by Operating Activities	21,079	37,727	41,585
	-----	-----	-----
Cash Flows from Investing Activities:			
Acquisitions, Net of Cash Acquired	(35,793)	(33,336)	(81,838)
Additions to Property and Equipment	(29,416)	(54,118)	(69,455)
Proceeds from Sale of Equipment	1,182	587	1,317
Restricted Funds	698	(1,291)	(375)
Advances to Unconsolidated Subsidiary	--	--	(5,580)
Other	2,066	(7,818)	(412)
	-----	-----	-----
Net Cash Used in Investing Activities	(61,263)	(95,976)	(156,343)
	-----	-----	-----
Cash Flows from Financing Activities:			
Proceeds from Issuance of Common Stock	48,455	52,231	--
Proceeds from Equity Transactions of Majority- Owned Subsidiary	--	--	1,275
Proceeds from Exercise of Stock Warrants/Options	869	3,811	860
Equity Transactions of Pooled Entities	(887)	193	--
Call of Redeemable Put Warrants	(525)	--	--
Redemption of Series C Preferred Stock	(2,970)	--	--
Proceeds from Long-Term Borrowings	162,356	73,728	423,955
Principal Payments on Long-Term Debt	(166,625)	(70,809)	(306,700)
	-----	-----	-----
Net Cash Provided by Financing Activities	40,673	59,154	119,390
	-----	-----	-----
Net Increase in Cash and Cash Equivalents	489	905	4,632
Cash and Cash Equivalents, Beginning of Year	2,838	3,327	4,232
	-----	-----	-----
Cash and Cash Equivalents, End of Year	\$ 3,327	\$ 4,232	\$ 8,864
	=====	=====	=====

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

Supplemental Disclosures of Cash Flow Information:

Cash Paid During the Year for -			
Interest	\$ 7,988	\$ 6,288	\$ 12,514
	=====	=====	=====
Income Taxes	\$ 672	\$ 6,952	\$ 1,876
	=====	=====	=====

Supplemental Disclosures of Non-Cash Investing
and Financing Activities:

Summary of Entities Acquired in Purchase Business Combinations			
Fair Market Value of Assets Acquired	\$ 42,554	\$ 36,210	\$ 519,054
Common Stock and Stock Options Issued	(1,603)	--	(113,860)
Cash Paid, net	(35,793)	(33,336)	(81,838)
	-----	-----	-----
Liabilities Assumed and Notes Payable to Sellers	\$ 5,158	\$ 2,874	\$ 323,356
	=====	=====	=====

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

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 also markets recyclable metals, aluminum, plastics, paper and corrugated cardboard all processed at its facilities and recyclables purchased from third parties. The Company also generates electricity under its contracts with its two majority owned subsidiaries, Maine Energy Recovery Company LP ("Maine Energy") and Penobscot Energy Recovery Company LP ("PERC"), and through its wholly owned subsidiary, Timber Energy Recovery, Inc. ("TERI"). As of April 30, 2000, the Company owned and/or operated five Subtitle D landfills, two landfills permitted to accept construction and demolition materials, 39 transfer stations, 40 recycling processing facilities, 39 solid and liquid waste collection divisions, 12 power generation facilities, three finished products processing facilities and an interest in its cellulose insulation joint venture with Louisiana Pacific.

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

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned and majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements and accompanying notes have also been restated to reflect material acquisitions accounted for as poolings-of-interests. Certain reclassifications have been made to the prior period financial statements to conform to the current presentation.

(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 collection, transfer, recycle and disposal revenues as the services are provided. Certain customers are billed in advance and, accordingly, recognition of the related revenues is deferred until the services are provided.

Revenues from the sale of electricity to local utilities by the Company's

majority owned waste-to-energy facilities (see Note 3) are recorded at the contract rate specified in each entity's power purchase agreement as it is delivered.

Revenues from the sale of recycled materials and finished products are recognized upon shipment. Rebates to certain municipalities based on sales of recyclable materials are recorded upon the sale of such recyclables to third parties and are included in revenues. Revenues for processing of recyclable materials are recognized when the related service is provided.

Revenues from brokerage are recognized when the goods are shipped to their end market.

(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 April 30, 2000 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) Restricted Cash

Restricted cash consists of cash held in trust on deposit with various banks that support the Company's financial assurance obligations for its facilities' closure and post-closure costs and cash held in trust, all of which are available, under certain circumstances, for current operating expenses, debt service, capital improvements and repairs and maintenance in accordance with certain contractual obligations. Restricted cash available for current operating and debt service purposes is classified as a current asset. A summary of restricted cash is as follows:

	April 30, 1999			April 30, 2000		
	Short Term ----	Long Term ----	Total -----	Short Term ----	Long Term ----	Total -----
Debt Service	\$ 0	\$ 0	\$ 0	\$ 4,478	\$ 5,677	\$10,155
Landfill Closure	626	4,834	5,460	154	3,566	3,720
Other Facilities Closure	0	0	0	0	410	410
Facility Maintenance and Operations	0	0	0	12,612	1,228	13,840
Other	0	0	0	365	0	365
Total	\$ 626	\$ 4,834	\$ 5,460	\$17,609	\$10,881	\$28,490

(g) Inventory

Inventory consists primarily of secondary fibers, recyclables ready for sale and certain finished products and is stated at the lower of cost (first-in, first-out) or market. Inventory consisted of finished goods of approximately \$889 and \$9,003 at April 30, 1999 and 2000 respectively, and raw materials of \$1,983 at April 30, 2000.

(h) Investments

The Company owns warrants to purchase 542,786 shares of common stock in Bangor-Hydro Electric, PERC's sole customer for electricity. In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company classifies these securities as "available for sale," and records them at their fair value. The change in the fair value of the securities is adjusted through other comprehensive income/(loss).

(i) Property, Plant and Equipment

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

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

The cost of maintenance and repairs is charged to operations as incurred. Depreciation expense for the years ended April 30, 1998, 1999 and 2000 was \$10,776, \$14,151 and \$25,046 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. Landfill preparation costs include the costs of construction associated with excavation, liners, site berms and the installation of leak detection and leachate collection systems. Interest is capitalized on landfill 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. Interest capitalized for the years ended April 30, 1998, 1999 and 2000 was \$136, \$530 and \$640 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, acquisition and preparation costs, excluding the estimated residual value of land, are amortized as landfill airspace is consumed. In determining the amortization rate for these landfills, preparation costs include the total estimated costs to complete construction of the landfills' permitted and probable to be permitted capacity. 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 surveys, which are performed at least annually.

(j) Investment in OCI/New Heights

As part of its acquisition of KTI (see Note 2), the Company obtained a 35% ownership in Oakhurst Company, Inc. ("OCI"), which it accounts for on the equity basis of accounting. OCI reported revenues of \$20.5 million and net loss of \$5.5 million for its fiscal year ended February 29, 2000. At April 30, 2000, among other businesses, OCI has a 50% ownership in New Heights Recovery and Power LLC ("New Heights"), a fully integrated waste tire and glass recycling and power generation facility in Ford Heights, IL.

In addition to its ownership of OCI, the Company had a commitment to loan up to \$17 million in the form of a note receivable to OCI for the purpose of allowing OCI to fund its equity commitment and investment (\$17 million) in New Heights. The Company had loaned \$14.7 million to OCI through April 30, 2000, including \$5,580 loaned by the Company since the date of the KTI acquisition. These funds were used by New Heights for capital improvements necessary to upgrade the facility into a fully integrated recycling and power generation facility, to fund certain acquisitions of waste tire collection companies and to fund operating costs and working capital needs of the facility.

The New Heights facility has been in development and start-up for over one year, as of April 30, 2000, and has sustained substantial operating losses. OCI's ability to repay its note to the Company is predicated upon the success of the New Heights facility.

In addition, the Company has directly loaned \$1.5 million to New Heights, which is secured by a First Mortgage on the facility, and has an operations and

management service agreement for the operations and management of the New Heights facility.

The equity investment in OCI, the notes receivable from OCI and the note receivable from New Heights are together reflected as an investment in unconsolidated subsidiary on the accompanying Consolidated Balance Sheets. During May 2000, OCI agreed to transfer 12.5% direct ownership interest in New Heights to the Company, in return for the Company agreeing to complete OCI's remaining funding commitment to New Heights.

(k) Accrued Closure and Post-closure Costs

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

Accruals for closure and post-closure 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 post-closure monitoring and maintenance for the Company's operating landfills by the Company's engineers, accounting personnel and consultants are performed at least annually and are the basis upon which the Company's estimates of these future costs and the related accrual rates are revised. 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 post-closure obligations to be funded at any point in time. Accordingly, the Company has placed \$5,640 and \$3,720 at April 30, 1999 and 2000, respectively, in restricted investment accounts to fund these future obligations.

In addition, the Company has been required to post a surety bond or bank letter of credit to secure its obligations to close its landfills in accordance with environmental regulations. At April 30, 2000, the Company had provided one letter of credit totaling \$10,436, expiring on April 15, 2001, to secure the Company's landfill closure obligations.

(l) Intangible Assets

Intangible assets at April 30, 1999 and 2000 consist of the following:

	April 30,	
	1999	2000
	----	----
Goodwill	\$ 98,827	\$289,574
Covenants not to compete	13,956	14,291
Customer lists	594	562
Deferred debt acquisition costs and other	2,125	8,359
	-----	-----
	115,502	312,786
Less--accumulated amortization	11,303	18,503
	-----	-----
	\$104,199	\$294,283
	=====	=====

Goodwill is the cost in excess of fair value of identifiable assets of acquired

businesses and is amortized using the straight-line method over periods not exceeding 40 years. Covenants not to compete and customer lists are amortized using the straight-line method over their estimated useful lives, typically no more than 10 years. Deferred debt acquisition costs are capitalized and amortized over the life of the related debt using the effective interest method. Amortization Expense for the years ended April 30, 1998, 1999 and 2000 was \$9,182, \$11,574 and \$15,165, respectively.

In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", the Company continually reviews for impairment whenever events or changes in circumstances indicate that the remaining estimated useful life of goodwill or other intangible assets might warrant revision or that the balance may not be recoverable. The Company evaluates possible impairment by comparing estimated future cash flows, before interest expense and on an undiscounted basis, and the net book value of assets including goodwill and other intangible assets. If undiscounted cash flows are insufficient to recover assets, further analysis is performed in order to determine the amount of the impairment. An impairment loss would then be recorded equal to the amount by which, the carrying amount of the assets exceeds their fair market value. Fair market value is usually determined based on the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved. In instances where goodwill is identified with assets that are subject to an impairment loss, the carrying amount of the identified goodwill is reduced before making any reduction to the carrying amounts of other impaired long-lived assets.

During 1998, the Company recorded a charge of \$1,571 to reduce certain assets (including goodwill), to their estimated fair value. There were no such impairments in 1999 and 2000.

(m) Income Taxes

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

(n) Earnings per Share

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

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

	Year Ended April 30,		
	1998	1999	2000
Number of Shares Outstanding, End of Period:			
Class A Common Stock	12,158	14,869	22,215
Class B Common Stock	988	988	988
Effect of Weighting the Average Shares Outstanding During the Period	(3,599)	(712)	(4,472)
Basic Shares Outstanding	9,547	15,145	18,731
Potentially Dilutive Shares	0	874	541
Diluted Shares Outstanding	9,547	16,019	19,272

Potentially dilutive shares are excluded from diluted shares outstanding for the year ended April 30, 1998 due to their impact being anti-dilutive. The number of potentially dilutive shares excluded from the earnings per share calculation was 3,045,000 for the year ended April 30, 1998. Additionally, for the years ended April 30, 1999 and 2000, options to purchase 211,000 and 2,033,000 common shares were excluded from the calculation of potentially dilutive shares because their impact was anti-dilutive.

(o) 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 timing or method of adoption. However, SFAS No. 133 could increase volatility in earnings and other comprehensive income.

2. BUSINESS COMBINATIONS

(a) Transactions Recorded as Purchases

On December 14, 1999, the Company consummated its acquisition of KTI, a publicly traded solid waste handling company. KTI specializes in solid waste disposal and recycling, and operates manufacturing facilities utilizing recycled materials. All of KTI's common stock was acquired in exchange for 7,152,157 shares of the Company's Class A Common Stock.

In addition to above, the Company also acquired 33, 50 and 38 solid waste hauling operations in 1998, 1999 and 2000. All of these transactions were accounted for as purchases. Accordingly, the operating results of these businesses are included in the Consolidated Statements of Operations from the dates of acquisition, and the purchase prices have been allocated to the net assets acquired based on fair values at the dates of acquisition, with the residual amounts allocated to goodwill. Management does not believe the final purchase price allocation will produce materially different results than those reflected herein.

The purchase prices allocated to those net assets acquired were as follows:

	Year Ended April 30,		
	1998	1999	2000

Current Assets	\$ 2,923	\$ 613	\$ 107,457
Property and Equipment	9,105	10,768	220,830
Intangible Assets (including goodwill)	30,526	24,829	190,178
Other Non-Current Assets	0	0	589
Current Liabilities	(75)	0	(41,647)
Other Non-Current Liabilities	(5,083)	(2,874)	(281,709)
	-----	-----	-----
Total Consideration	\$ 37,396	\$ 33,336	\$ 195,698
	=====	=====	=====

The following unaudited pro forma combined information shows the results of the Company's operations for the years ended April 30, 1999 and 2000 as though each of the completed acquisitions had occurred as of May 1, 1998:

	Year ended April 30,	
	1999	2000

	----	----
Revenues	\$578,100	\$584,976
Operating Income	20,732	57,031
Net Income	6,569	11,345
Diluted Pro forma net income per common share	\$ 0.41	\$ 0.59
Weighted average diluted shares outstanding	16,019	19,272

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, 1998 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.

(b) Transactions Recorded as Poolings of Interests

The Company has completed several mergers in business acquisitions accounted for as poolings-of-interests. For the years ended April 30, 1998, 1999 and 2000, the Company merged with 1, 4 and 2 businesses, respectively, and issued common stock of 603,347, 1,271,559 and 362,973 shares, respectively. The accompanying consolidated financial statements have been restated to reflect all material acquisitions (including the 2 in 2000) for all periods presented.

Following is a reconciliation of the amounts of revenues and net income previously reported for the years ended April 30, 1998, 1999 and 2000 to amounts adjusted for poolings-of-interests that took place in 2000.

	1998 ----	1999 ----	2000 ----
Revenues:			
Casella, before Fiscal 2000 Poolings	\$ 140,191	\$ 171,728	\$ 335,303
Fiscal 2000 Poolings	3,520	10,829	2,044
	-----	-----	-----
Casella, as restated	\$ 143,711	\$ 182,557	\$ 337,347
	=====	=====	=====
Net Income:			
Casella, before Fiscal 2000 Poolings	\$ 1,925	\$ 9,099	\$ 11,257
Fiscal 2000 Poolings	(90)	(2,484)	(207)
	-----	-----	-----
Casella, as restated	\$ 1,835	\$ 6,615	\$ 11,050
	=====	=====	=====

3. INVESTMENT IN MAJORITY OWNED WASTE-TO-ENERGY FACILITIES

The Company owns majority interests in two limited partnerships, Maine Energy (83.75% interest) and PERC (66.59% interest). These facilities utilize non-hazardous solid waste as the fuel for the generation of electricity.

Maine Energy sells the electricity it produces to Central Maine Power ("Central Maine") pursuant to a long-term power purchase agreement. Under this agreement, Maine Energy has agreed to sell energy to Central Maine through May 31, 2007 at an initial rate of 7.18 cents per kilowatt-hour ("kWh"), as determined in 1996, which escalates annually by 2% (7.92 cents per kWh as of April 30, 2000). From June 1, 2007 until December 31, 2012, Maine Energy is to be paid at the then current market value for both its energy and capacity by Central Maine.

Under the terms of the agreement, a \$45.0 million letter of credit was issued to Central Maine by ING (US) Capital Corporation. If, in any year, Maine Energy fails to produce 100,000,000 kWh of electricity and Maine Energy does not have a force majeure defense, such as physical damage to the plant and other similar events, Maine Energy must pay approximately \$3.8 million to Central Maine as liquidated damages. This payment obligation is secured by the ING letter of credit. In each year in which 100,000,000 kWh is produced, the balance of the ING letter of credit is to be reduced by approximately \$3.8 million. Additionally, if, in any year, Maine Energy fails to produce 15,000,000 kWh of electricity and Maine Energy does not have a force majeure defense, Maine Energy must pay the balance of the ING letter of credit to Central Maine as liquidated damages. The balance of the letter of credit was approximately \$30 million at

April 30, 2000.

PERC sells the electricity it produces to Bangor Hydro, a local utility, under a power purchase agreement. Under the terms of the agreement, Bangor Hydro agrees to purchase all the electricity generated by PERC through 2018. Under the agreement, PERC is required to deliver at least 105,000,000 kWh to Bangor Hydro in any calendar year. If PERC fails to deliver this output, PERC must pay Bangor Hydro \$4 for each 1,000,000 kWh that the deliveries fall below 105,000,000 kWh.

As of April 30, 2000, the Company has met all of its kWh requirements under both power purchase agreements.

Additionally, the Company owns 100% of TERI. TERI uses biomass waste as its source of fuel to be combusted for the generation of electricity. TERI also operates two wood processing facilities. TERI sells the electricity that it generates to Florida Power Corporation ("Florida Power"), a local electric utility, under a power purchase agreement. Under the terms of the power purchase agreement, Florida Power has agreed to purchase all of the electricity generated by TERI.

The ownership interest of minority owners in the equity and earnings of the Company's less than 100 percent-owned consolidated subsidiaries is recorded as minority interest.

4. LONG-TERM DEBT

Long-term debt as of April 30, 1999 and 2000 consists of the following:

	April 30, -----	
	1999	2000

Advances on revolving credit facility, which provides for advances of up to \$150,000, due January 12, 2003. Interest on outstanding advances accrues at the election of the Company at either the bank's base rate (7.75% at April 30, 1999), or LIBOR plus a percentage (6.03% at April 30, 1999), based on a pricing grid, payable monthly in arrears. The debt is collateralized by all assets of the Company, whether now owned or hereafter acquired.	\$ 72,365	\$ 0
Advances on Senior Secured Revolving Credit Facility (the "Revolver") which provides for advances of up to \$300,000, due December 14, 2004, bearing interest at LIBOR plus 2.75%, (8.95% at April 30, 2000), with the availability decreasing by \$25,000 in years 3 and 4. The debt is collateralized by a pledge of all of the Company's subsidiaries stock and by certain assets of the Company.	0	228,890
Advances on Senior Secured Delayed Draw Term "B" Loan (the "Term Loan") which provides for up to \$150,000, due December 14, 2006, bearing interest at LIBOR plus 3.5% (9.7% at April 30, 2000), and calling for principal payments of \$1,500 per year, beginning in Fiscal 2001 with the remaining principal balance due at maturity. The debt is collateralized by a pledge of all of the Company's subsidiaries stock and by certain assets of the Company.	0	150,000
Notes Payable in connection with businesses acquired, bearing interest at rates of 6% to 10%, due in monthly installments varying to \$22, expiring May 2000 through April 2009.	13,534	9,459
Subordinated, Convertible Notes payable in connection with business acquired, bearing interest at 7.5%, due in monthly installments varying to \$50, expiring on March 15, 2003. Convertible to Class A Common Stock of the Company, at the note holders election, at the rate of one share of common stock for each \$15.375 of the principal amount surrendered for conversion.	0	6,144
Payments due to Clinton County, discounted at 4.74%, due in quarterly installments of \$375 through March 2003.	5,438	4,173
PERC Bonds Payable - Issued by the Finance Authority of Maine ("FAME"), Electric Rate Stabilization Revenue Refunding Bonds, Series 1998 A and Series B, subject to mandatory redemption in annual installments of varying amounts through July 1, 2018. Beginning July 1, 2008 the Bonds are subject to redemption at the option of the Company at a price equal to 102%, through June 30, 2009, 101% for the period July 1, 2009 through June 30, 2010 and 100% thereafter of the principal and accrued interest. Various covenants restrict the ability of PERC to incur additional indebtedness and the ability of general partners to sell, assign or transfer their partnership interest. Interest is based on rates for certain tax-exempt obligations, as determined weekly by the remarketing agent, with a weighted average interest rate of 5.0% at April 30, 2000. The bonds are collateralized by substantially all of PERC's assets.	0	40,900
Timber Energy Revenue Bonds Payable - Industrial Development Revenue Bonds, Series A, interest at 7%, annual sinking fund requirements of \$2,320, \$2,665 and \$4,620, due December 2000 through 2002. The Bond Agreements require, among other things, maintenance of various insurance coverages and restrict the borrowers ability to incur additional indebtedness. The bonds are collateralized by liens on TERI's electric generating facility located in Telogia, Florida.	0	9,605

Notes Payable, secured by assets purchased	746	0
	-----	-----
	92,083	449,171
Less - Current Portion	5,344	8,367
	-----	-----
	\$ 86,739	\$ 440,804
	=====	=====

In April 2000, the Company entered into two three-year interest rate swap agreements (the "Swap Agreements") with two banks. The purpose was to effectively convert a portion of the Company's interest rate exposure on advances under its

revolving credit facility from a floating rate to a fixed rate. The Swap Agreements effectively fix the Company's interest rate on the notional amount of \$100 million, \$50 million is fixed at 6.875% and \$50 million is swapped in a collar arrangement with interest between 6.28% and 9.0%. Net monthly payments or monthly receipts under the Swap Agreements are recorded as adjustments to interest expense. The Company also has an existing, five year Swap Agreement which fixes the Company's interest rate on the notional amount \$45 million. The rate is fixed at 5.2% and expires in January 2001. In addition, in the event of nonperformance by the counterparty, the Company would be exposed to interest rate risk on the entire balance in the event the variable interest rate paid was to exceed the fixed rate paid under the terms of the Swap Agreements.

The Revolver and the Term Loan contain certain covenants that, among other things, restrict dividends or stock repurchases, limit capital expenditures and annual operating lease payments, and set minimum fixed charges, interest coverage and leverage ratios and minimum consolidated adjusted net worth requirements. As of April 30, 2000, the Company was in compliance with all covenants.

As of April 30, 2000, debt matures as follows:

Year Ending April 30,

2001	\$ 8,367
2002	7,816
2003	12,479
2004	2,098
2005	151,982
Thereafter	266,429

	\$449,171
	=====

5. COMMITMENTS AND CONTINGENCIES

(a) Leases

The following is a schedule of future minimum lease payments, together with the present value of the net minimum lease payments under capital leases, as of April 30, 2000.

Year Ended April 30,	Operating Leases -----	Capital Leases -----
2001	\$ 4,660	\$ 1,095
2002	4,866	1,004
2003	3,614	986
2004	3,236	672
2005	2,095	494
Thereafter	4,640	1,564
	-----	-----
Total minimum lease payments	\$23,111	5,815
	=====	
Less - amount representing interest		1,279

		4,536
Current maturities of capital lease obligations		788

Present value of long term capital lease obligations		\$ 3,748

=====

The Company leases real estate, compactors and hauling vehicles under leases that qualify for treatment as capital leases. The assets related to these leases have been capitalized and are included in property and equipment at April 30, 1999 and 2000.

The Company leases operating facilities and equipment under operating leases with monthly payments varying to \$11.

Total rent expense under operating leases charged to operations was \$1,500, \$1,873 and \$2,968 for each of the three years ended April 30, 1998, 1999 and 2000, respectively.

(b) 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.

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 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 Casella or any other third party). The Company accrued a \$215,000 reserve for this claim during the year ended April 30, 1998.

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.

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 quarterly 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. On June 15, 1999, Mr. Russo and Ms. Miller, together with Fransisco Munero, Timothy Ryan and Steve Storch, moved to consolidate the two complaints. This motion is currently pending in the District Court of New Jersey.

The Company is a defendant in certain other lawsuits alleging various claims incurred in the ordinary course of business.

The Company believes that none of the above lawsuits, either individually or in the aggregate, will be settled in a manner that will have a material impact to its financial condition, results of operations or cash flows.

(c) Environmental Liability

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

(d) Sawyer Landfill Royalty Payments

In connection with an acquisition, the Company agreed to pay to the seller a royalty for certain additional permitted landfill capacity. The royalty due is equal to \$2.50 per ton for the first 400,000 tons of such additional capacity and \$3.50 per ton thereafter. The payments are generally due as the landfill is utilized, except that at the time of the successful permitting, the first \$1 million of royalties becomes immediately due and payable. This amount may be taken in cash or common stock on an equivalent per share price of \$6.55. This option is at the election of the seller and is only available for the first royalty payment. The Company received permits from the State of Maine for a 3.3 million ton expansion on the Sawyer Landfill. The host community for the Sawyer Landfill, the Town of Hampden, Maine, is disputing 3.1 million tons of the 3.3 million ton expansion. The Company paid the royalty due the seller on the 200,000 tons of undisputed additional permitted capacity. The seller elected to be paid this royalty in cash.

(e) Employment Contracts

The Company has entered into five employment contracts with its senior officers and Chairman of the Board. The contracts, dated December 8, 1999, have a three-year term and a two-year covenant not to compete from the date of any termination. Total annual commitments for salaries under these contracts are \$1.2 million. In the event of a change in control of the Company, or in the event of involuntary termination without cause, the employment contracts provide for the payment of three years of salary and bonuses.

(f) Maine Energy Waste Handling Agreement Liability

Under the terms of a Waste Handling Agreement between certain municipalities and the Company's majority owned subsidiary, Maine Energy, Maine Energy is obligated to make a payment at the point in time that Maine Energy pays off its debt (as defined) obligations, currently estimated to occur between 2003 and 2005, or upon the consummation of an outright sale of Maine Energy, individually. The estimated obligation has been recorded in other long-term liabilities as of April 30, 2000.

6. DISCONTINUED OPERATIONS AND EXTRAORDINARY ITEM

Discontinued Operations:

During the third quarter, the Company adopted a formal plan to dispose of its construction and emergency response business ("discontinued business"). The Company has accounted for this planned disposition in accordance with APB Opinion No. 30, and accordingly, the results of operations of the discontinued business have been segregated from continuing operations and reported as a separate line in its Consolidated Statements of Operations. Additionally, the estimated loss on the disposal of the discontinued operations of \$1,393 (net of income tax benefit of \$891), represents the estimated loss on the disposal of the assets of the discontinued segment.

A summary of the operating results of the discontinued business is as follows:

	Year Ended April 30,	
	1999	2000
Revenues	\$ 1,690	\$ 795
Operating Expenses	1,133	795
General and Administrative	426	321
Depreciation and Amortization	175	113
Operating (Loss)	(44)	(434)
Other (Expense)	(10)	(7)
Benefit from Income Taxes	21	172
Net (Loss)	\$ (33)	\$ (269)

Extraordinary Item:

During the third quarter of its fiscal year 2000, the Company paid off its existing revolving credit facility with a bank and incurred an extraordinary loss of \$631 (net of tax benefit of \$448), resulting from the write-off of related debt acquisition costs.

7. STOCKHOLDERS' EQUITY

(a) Preferred Stock

The Company is authorized, with stockholder approval, to issue up to 1,000,000 shares of preferred stock in one or more series. As of April 30, 1999 and 2000, respectively, no shares of Preferred Stock are outstanding.

(b) Common Stock

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

(c) Stock Warrants

At April 30, 2000, the Company had outstanding warrants to purchase 315,943 shares of the Company's Class A Common Stock at exercise prices between \$0.01 and \$43.63 per share, based on the fair market value of the underlying common stock at the time of the warrants' issuance. The warrants are exercisable and expire at varying times through November 2008.

(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") provided for the issuance of a maximum of 300,000 shares of Class A Common Stock. As of April 30, 1999, options to purchase 169,500 shares of Class A Common Stock at an average exercise price of \$1.18 were outstanding under the 1993 Option Plan. As of April 30, 2000, options to purchase 17,000 shares of Class A Common Stock at an average exercise price of \$4.61 were outstanding under the 1993 Option Plan. No further options may be granted under this plan.

During 1994, the Company adopted a nonstatutory stock option plan for officers and other key employees. The 1994 Stock Option Plan (the "1994 Option Plan") provided for the issuance of a maximum of 150,000 shares of Class A Common Stock. Options to purchase 15,000 shares of Class A Common Stock at an average exercise price of \$0.60 were outstanding under the 1994 Option Plan as of April 30, 1999 and 2000. No further options may be granted under this plan.

In connection with the May 1994 Senior Note and Warrant Purchase Agreement (the "Purchase Agreement"), the Company also established a nonqualified stock option pool for certain key employees. The purchase agreement established 338,000 stock options to purchase Class A Common Stock. Options to purchase 302,656 shares of Class A Common Stock at an average exercise price of \$2.00 were outstanding as

of April 30, 1999 and 2000. No further options may be granted from this pool.

During 1996, the Company adopted a stock option plan for employees, officers and directors of, and consultants and advisors to the Company. The 1996 Stock Option Plan (the "1996 Option Plan") provided for the issuance of a maximum of 918,135 shares of Class A Common Stock pursuant to the grant of either incentive stock options or nonstatutory options. As of April 30, 1999, a total of 392,443 options to purchase Class A Common Stock were outstanding at an average exercise price of \$12.23. As of April 30, 2000, a total of 372,707 options to purchase Class A Common Stock were outstanding at an average exercise price of \$12.08. No further options may be granted under this plan.

On July 31, 1997, the Company adopted a stock option plan for employees, officers and directors of, and consultants and advisors to the Company. The Board of Directors has the authority to select the optionees and determine the terms of the options granted. The 1997 Stock Option Plan (the "1997 Option Plan") provides for the issuance of 5,328,135 shares of Class A Common Stock pursuant to the grant of either incentive stock options or nonstatutory options. Under the terms of the 1997 Option Plan, all authorized but unissued options under previous plans are added to the shares available under this plan. A total of 321,501 authorized but unissued shares under the 1996 Option Plan have been transferred to the 1997 Option Plan under this provision. As of April 30, 1999, options to purchase 1,081,960 shares of Class A Common Stock at an average exercise price of \$26.72 were outstanding under the 1997 Option Plan. As of April 30, 2000, options to purchase 3,190,377 shares of Class A Common Stock at an average exercise price of \$22.37 were outstanding under the 1997 Option Plan.

On July 31, 1997, the Company adopted a stock option plan for non-employee directors of the Company. The 1997 Non-Employee Director Stock Option Plan provides for the issuance of a maximum of 100,000 shares of Class A Common Stock pursuant to the grant of nonstatutory options. As of April 30, 1999 and 2000, options to purchase 8,000 shares of Class A Common Stock at an average exercise price of \$31.25 and 19,000 shares of Class A Common Stock at an average exercise price of \$6.58, respectively, were outstanding under the Non-Employee Director Stock Option Plan.

Options generally vest over a two year period from the date of grant, and are granted at prices at least equal to the prevailing fair market value at the issue date.

Stock option activity for each of the three years ended April 30, 1998, 1999 and 2000 is as follows:

	Number Of Shares	Weighted Average Exercise Price
	-----	-----
Outstanding, April 30, 1997	1,251,135	\$ 4.92
Granted	419,500	19.90
Terminated	(31,000)	(15.19)
Exercised	(44,333)	(1.49)
	-----	-----
Outstanding, April 30, 1998	1,595,302	8.75
Granted	870,000	27.68
Terminated	(9,033)	(11.17)
Exercised	(486,710)	(6.43)
	-----	-----
Outstanding, April 30, 1999	1,969,559	17.65
Granted	1,402,000	16.27
Issued in Connection with the Acquisition of KTI	930,417	26.59
Terminated	(216,335)	(20.56)
Exercised	(168,901)	(2.05)
	-----	-----
Outstanding, April 30, 2000	3,916,740	\$ 19.78
	=====	=====
Exercisable, April 30, 1999	1,346,557	\$ 13.67
	=====	=====
Exercisable, April 30, 2000	2,321,432	\$ 18.35
	=====	=====

Set forth is a summary of options outstanding and exercisable as of April 30, 2000:

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
\$.60-\$2.00	317,656	0.83	\$ 1.93	317,656	\$ 1.93
\$4.61-\$8.00	152,002	7.42	5.42	108,002	4.90
\$10.00-\$18.00	1,566,211	7.00	15.28	850,118	14.86
\$18.00-\$27.00	467,028	8.70	20.95	226,484	21.65
Over \$27.00	1,413,843	7.45	29.94	819,172	29.20
ALL	3,916,740	6.88	\$19.78	2,321,432	\$18.35

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, 1998, 1999 and 2000 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, 1998, 1999 and 2000.

	April 30,		
	1998	1999	2000
Risk-free interest rate	5.78%-6.49%	4.6%-5.68%	5.81%-6.69%
Expected dividend yield	0%	0%	0%
Expected life	9 Years	5 years	5 years
Expected volatility	40.39%	52.40%	67.37%

The total value of options granted during the years ended April 30, 1998, 1999 and 2000 would be amortized on a pro forma basis over the vesting period of the options. Because the method of accounting prescribed by SFAS No. 123 has not been applied to options granted prior to May 1, 1995, the resulting pro forma compensation costs may not be representative of that to be expected in future years. If the Company had accounted for these plans in accordance with SFAS No. 123, the Company's net loss and net loss per share would have increased as reflected in the following pro forma amounts:

	April 30,		
	1998	1999	2000
Net income (loss)			
As reported	\$ (3,903)	\$ 6,615	\$ 11,050
Pro forma	\$ (4,674)	\$ 2,534	\$ 4,379
Diluted Net income (loss) per share of common stock			
As reported	\$ (0.41)	\$ 0.41	\$ 0.57
Pro forma	\$ (0.49)	\$ 0.16	\$ 0.23

The weighted-average grant-date fair value of options granted during the years ended April 30, 1998, 1999 and 2000 is \$1.54, \$6.43 and \$3.30, respectively.

8. INCOME TAXES

The provision for income taxes for the years ended April 30, 1998, 1999 and 2000 consists of the following:

		April 30,	
	1998	1999	2000
	-----	-----	-----
Federal--			
Current	\$ 234	\$ 4,996	\$ 6,089
Deferred	1,901	1,400	3,216
	-----	-----	-----
	2,135	6,396	9,305
	-----	-----	-----
State--			
Current	41	888	2,075
Deferred	336	247	878
	-----	-----	-----
	377	1,135	2,953
	=====	=====	=====
Total	\$ 2,512	\$ 7,531	\$12,258
	=====	=====	=====

The differences in the provisions for income taxes and the amounts determined by applying the Federal statutory rate to income before provision for income taxes for the years ended April 30, 1998, 1999 and 2000 are as follows:

	Fiscal Year Ended April 30,		
	1998	1999	2000
	-----	-----	-----
Federal Statutory Rate	34%	34%	35%
Tax at Statutory Rate	\$ 1,478	\$ 4,821	\$ 8,960
State Income Taxes, net of			
Federal Benefit	248	749	1,919
Meal and Entertainment Disallowance	23	29	77
Nondeductible Goodwill	114	201	245
Equity in Loss of Oakhurst	0	0	295
Other, net	649	1,731	762
	-----	-----	-----
	\$ 2,512	\$ 7,531	\$12,258
	=====	=====	=====

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

Deferred tax assets and liabilities consist of the following at April 30, 1999 and 2000:

	1999	2000
	-----	-----
Deferred Tax Assets:		
Allowance for Doubtful Accounts	\$ 703	\$ 2,818
Treatment of Lease Obligations	59	52
Accrued Expenses	964	10,645
Basis Difference in Partnership Interests	0	14,091
Net Operating Loss Carryforwards	367	30,794
Alternative Minimum Tax Credit Carryforwards	510	1,795
Other Tax Carryforwards	0	530
Other	575	880
	-----	-----
Total Deferred Tax Assets	3,178	61,605
Less: Valuation Allowance	0	(24,778)
	-----	-----
Total Deferred Tax Assets After Valuation Allowance	3,178	36,827
	-----	-----
Deferred Tax Liabilities:		

Accelerated Depreciation of Property and Equipment	(5,014)	(49,546)
Amortization of Intangibles	(1,165)	(3,407)
Other	(1,693)	(2,092)
	-----	-----
Total Deferred Tax Liabilities	(7,872)	(55,045)
	-----	-----
Net Deferred Tax Liability	(4,694)	(18,218)
	=====	=====

At April 30, 2000, the Company has for income tax purposes federal net operating loss carryforwards of approximately \$70,507 that expire in years 2003 through 2019, state net operating loss carryforwards of approximately \$83,304 that expire in years 2001 through 2019, and business tax credit carryforwards of approximately \$530 that expire in years 2001 through 2006. The federal net operating loss carryforwards, certain state net operating loss carryforwards and the business tax credit carryforwards are subject to substantial limitations. In addition, the Company has approximately \$1,795 minimum tax credit carryforward available that is not subject to limitation. Due to uncertainty of the utilization of the carryforwards, the Company has recorded a valuation allowance against approximately \$51,805 of the federal net operating loss carryforwards, all of the state net operating loss carryforwards and all of the business tax credit carryforwards. Since the Company's carryforwards were primarily acquired through acquisitions, to the extent that future realization of such carryforwards exceeds the Company's current estimates, additional amounts received will be recorded as a reduction of goodwill. In assessing the realizability of carryforwards and other deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company adjusts the valuation allowance in the period management determines it is more likely than not that deferred tax assets will or will not be realized.

9. EMPLOYEE BENEFIT PLANS

The Company offers its eligible employees the opportunity to contribute to a 401(k) plan. Pending board approval, the Company may contribute up to \$500 dollars per individual per calendar year. Participants vest in employer contributions ratably over a three-year period. Employer contributions for the years ended April 30, 1998, 1999 and 2000 amounted to \$176, \$275 and \$387, respectively.

In January 1998, the Company implemented its Employee Stock Purchase Plan. Under this plan, qualified employees may purchase shares of Class A Common Stock by payroll deduction at a 15% discount from the market price. 600,000 shares of Class A Common Stock have been reserved for this purpose. At April 30, 1998, no shares of Class A Common Stock have been issued under this plan. During the years ended April 30, 1999 and 2000, 5,812 and 6,616 shares, respectively, of Class A Common Stock were issued under this plan.

10. RELATED PARTY TRANSACTIONS

(a) Services

During 1998, 1999 and 2000, the Company retained the services of a related party, a company wholly owned by two of the Company's major stockholders and members of the Board of Directors, as a contractor in closing certain landfills owned by the Company. Total purchased services charged to operations for each of the three years ended April 30, 1998, 1999 and 2000 were \$4,202, \$5,198 and \$5,338 respectively, of which \$50 and \$450 were outstanding and included in accounts payable at April 30, 1999 and 2000, respectively. In 1998, the Company entered into agreements with this company, totaling approximately \$3,000, to construct a portion of a landfill. In 1999, the Company entered into agreements with this company, totaling approximately \$4,808, to construct improvements or expansions at three of its landfills. In 2000, the Company entered into an agreement with this company, totaling approximately \$4,500 to construct a new cell at Clinton County Landfill.

(b) Leases

On August 1, 1993, the Company entered into two leases for operating facilities with a partnership in which two of the Company's major stockholders and members of the Board of Directors are the general partners. The leases are classified as capital leases in the accompanying Consolidated Balance Sheets. The leases call

for monthly payments of approximately \$18 and expire in April 2003. Total interest and amortization expense charged to operations for the years ended April 30, 1998, 1999 and 2000 under these agreements was, \$245, \$237 and \$179, respectively.

(c) Post-closure Landfill

The Company has agreed to pay the cost of post-closure on a landfill owned by certain principal shareholders. The Company paid the cost of closing this landfill in 1992, and the post-closure maintenance obligations are expected to last until 2012. In each of the three years ended April 30, 1998, 1999 and 2000, the Company paid \$3, \$3 and \$5 respectively, pursuant to this agreement. As of April 30, 1999 and 2000, the Company has accrued \$102 and \$96, respectively, for costs associated with its post-closure obligations.

(d) Employee Loans

The Company has made loans to officers and employees in the amount of \$2,095 during the year ended April 30, 2000. The notes have required quarterly interest payments but no fixed repayment terms. Interest is at the Wall Street Journal Prime Rate (9% at April 30, 2000). Notes from officers consisted of \$2,000 at April 30, 2000, with the remainder being from employees of the Company.

(e) Other Relationships

Two of the Company's stockholders and members of its Board of Directors are also direct stockholders and members of the Board of Directors of OCI, an investee of the Company. These individuals own aggregate shares and options to purchase shares for up to 4% of OCI.

11. 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 (which includes Maine Energy and PERC), Central and Western, Power Generation, Residential Recycling, Finished Products and Commercial Recycling. The Company's revenues in the Eastern, Central and Western segments are derived mainly from one industry segment, which includes the collection, transfer, recycling and disposal of non-hazardous solid waste. The Company's revenues in the Power Generation, Residential Recycling, Finished Products and Commercial Recycling 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. The accounting policies of the business segments are the same as those described in Note 1.

	Waste Handling and Disposal			Power Generation	Residential Recycling
	Eastern Regions	Central Regions	Western Regions		
	-----	-----	-----	-----	-----
Year Ended April 30, 1998:					
Outside Revenue	\$ 26,242	\$ 70,045	\$ 47,707	\$ --	\$ --
Inter-Segment Revenue	\$ 2,241	\$ 22,410	\$ 2,765	\$ --	\$ --
Net Income/(Loss)	\$ (1,830)	\$ 4,148	\$ 697	\$ --	\$ --
Depreciation & Amortization	\$ 3,871	\$ 11,850	\$ 3,774	\$ --	\$ --
Merger Costs	\$ --	\$ 290	\$ --	\$ --	\$ --
Impairment Charge	\$ 971	\$ --	\$ 600	\$ --	\$ --
Interest Expense (Net)	\$ 1,418	\$ 3,472	\$ 3,100	\$ --	\$ --
Capital Expenditures	\$ 6,805	\$ 14,184	\$ 7,326	\$ --	\$ --
Total Assets	\$ 6,002	\$ 34,387	\$ 18,347	\$ --	\$ --

Year Ended April 30, 1999:

Outside Revenue	\$ 39,240	\$ 79,710	\$ 62,920	\$ --	\$ --
Inter-Segment Revenue	\$ 2,218	\$ 28,397	\$ 6,711	\$ --	\$ --
Net Income/(Loss)	\$ (895)	\$ 8,368	\$ 2,387	\$ --	\$ --
Depreciation & Amortization	\$ 5,722	\$ 12,255	\$ 6,917	\$ --	\$ --
Merger Costs	\$ --	\$ 332	\$ 546	\$ --	\$ --
Interest Expense (Net)	\$ 2,067	\$ 3,922	\$ 4,051	\$ --	\$ --
Capital Expenditures	\$ 17,107	\$ 15,328	\$ 19,079	\$ --	\$ --
Total Assets	\$ 17,072	\$ 34,622	\$ 12,284	\$ --	\$ --

Year Ended April 30, 2000:

Outside Revenue	\$ 82,310	\$ 106,262	\$ 60,671	\$ 8,606	\$ 13,767
Inter-Segment Revenue	\$ 15,965	\$ 35,572	\$ 12,776	\$ (68)	\$ 9,242
Net Income/(Loss)	\$ 1,815	\$ 15,008	\$ 5,227	\$ (485)	\$ 3,297
Depreciation & Amortization	\$ 11,917	\$ 14,223	\$ 7,847	\$ 925	\$ 1,147
Merger Costs	\$ 1,101	\$ --	\$ 389	\$ --	\$ --
Interest Expense (Net)	\$ 4,085	\$ 3,815	\$ 2,925	\$ 653	\$ 1,539
Capital Expenditures	\$ 18,092	\$ 15,806	\$ 17,422	\$ 2,176	\$ 4,566
Total Assets	\$ 390,559	\$ 128,416	\$ 112,237	\$ 51,429	\$ 61,509

	Finished Products	Commercial Recycling	Corporate	Eliminations	Total
	-----	-----	-----	-----	-----
Year Ended April 30, 1998:					
Outside Revenue	\$ --	\$ --	\$ 238	\$ (521)	\$ 143,711
Inter-Segment Revenue	\$ --	\$ --	\$ (14)	\$ (27,402)	\$ --
Net Income/(Loss)	\$ --	\$ --	\$ (1,180)	\$ --	\$ 1,835
Depreciation & Amortization	\$ --	\$ --	\$ 464	\$ --	\$ 19,959
Merger Costs	\$ --	\$ --	\$ --	\$ --	\$ 290
Impairment Charge	\$ --	\$ --	\$ --	\$ --	\$ 1,571
Interest Expense (Net)	\$ --	\$ --	\$ (617)	\$ --	\$ 7,373
Capital Expenditures	\$ --	\$ --	\$ 1,101	\$ --	\$ 29,416
Total Assets	\$ --	\$ --	\$ 148,706	\$ (1,933)	\$ 205,509
Year Ended April 30, 1999:					
Outside Revenue	\$ --	\$ --	\$ 687	\$ --	\$ 182,557
Inter-Segment Revenue	\$ --	\$ --	\$ (1)	\$ (37,325)	\$ --
Net Income/(Loss)	\$ --	\$ --	\$ (3,245)	\$ --	\$ 6,615
Depreciation & Amortization	\$ --	\$ --	\$ 831	\$ --	\$ 25,725
Merger Costs	\$ --	\$ --	\$ 1,073	\$ --	\$ 1,951
Interest Expense (Net)	\$ --	\$ --	\$ (4,476)	\$ --	\$ 5,564
Capital Expenditures	\$ --	\$ --	\$ 2,604	\$ --	\$ 54,118
Total Assets	\$ --	\$ --	\$ 220,084	\$ (1,933)	\$ 282,129
Year Ended April 30, 2000:					
Outside Revenue	\$ 23,214	\$ 50,429	\$ 740	\$ (8,652)	\$ 337,347
Inter-Segment Revenue	\$ --	\$ 13,906	\$ 225	\$ (87,618)	\$ --
Net Income/(Loss)	\$ (1,874)	\$ 2,745	\$ (15,078)	\$ 395	\$ 11,050
Depreciation & Amortization	\$ 1,221	\$ 1,288	\$ 1,963	\$ (320)	\$ 40,211
Merger Costs	\$ --	\$ --	\$ --	\$ --	\$ 1,490
Interest Expense (Net)	\$ 1,634	\$ 937	\$ (443)	\$ (111)	\$ 15,034
Capital Expenditures	\$ 5,920	\$ 4,603	\$ 870	\$ --	\$ 69,455
Total Assets	\$ 44,614	\$ 55,568	\$ 39,497	\$ (11,652)	\$ 872,177

12. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is an analysis of certain items in the Consolidated Statements of Operations by quarter for 2000 and 1999.

	First Quarter (1)	Second Quarter (1)	Third Quarter	Fourth Quarter
	-----	-----	-----	-----
2000				
Revenues				
As Reported	55,036	56,120	93,004	133,919
As Restated	54,676	55,748	93,004	133,919
Operating Income				
As Reported	7,180	9,620	9,946	15,596
As Restated	7,333	9,925	9,946	15,596
Income Before Income Taxes,				

Discontinued Operations and Extraordinary Item				
As Reported	5,632	8,459	5,291	5,905
As Restated	5,787	8,618	5,291	5,905
Net Income				
As Reported	3,041	4,872	755	2,382
As Restated	3,041	4,872	755	2,382
Basic Earnings per Share				
As Reported	0.19	0.30	0.04	0.10
As Restated	0.19	0.30	0.04	0.10
Diluted Earnings per Share				
As Reported	0.18	0.30	0.04	0.10
As Restated	0.18	0.30	0.04	0.10

	First Quarter(1) -----	Second Quarter(1) -----	Third Quarter -----	Fourth Quarter -----
1999				
Revenues				
As Reported	45,084	47,813	44,109	46,353
As Restated	44,673	47,422	44,109	46,353
Operating Income				
As Reported	5,435	5,185	3,749	5,067
As Restated	5,390	5,185	3,749	5,067
Income Before Income Taxes, Discontinued Operations and Extraordinary Item				
As Reported	3,796	4,126	2,529	3,767
As Restated	3,753	4,130	2,529	3,767
Net Income				
As Reported	2,121	2,208	879	1,407
As Restated	2,121	2,208	879	1,407
Basic Earnings per Share				
As Reported	0.16	0.14	0.06	0.09
As Restated	0.16	0.14	0.06	0.09
Diluted Earnings per Share				
As Reported	0.15	0.13	0.05	0.08
As Restated	0.15	0.13	0.05	0.08

(1) The first two quarters of fiscal 2000 were restated to present the effects of discontinued operations (see Note 6).

13. SUBSEQUENT EVENTS

The Company has entered into an agreement, in June 2000 with Louisiana-Pacific Corporation to combine their respective cellulose insulation businesses into a single operating entity under a joint venture agreement effective August 1, 2000. The Company will contribute the operating assets of its cellulose insulation manufacturing business together with \$2,500 in cash. The new Company, to be known as U.S. Green Fiber LLC, is an equally owned joint venture formed through the combination of Louisiana-Pacific's GreenStone Industries, Inc. and the Company's U.S. Fiber, Inc. operations. The new entity will supply cellulose insulation to existing residential construction, retail and manufactured housing supply channels.

On June 28, 2000, the Company has entered into an agreement with Berkshire Partners of Boston, Massachusetts to issue \$55.8 million worth of redeemable convertible preferred stock, which may convert into Class A Common Stock at \$14.00 per share. Proceeds will be used to pay down debt and continue the Company's strategic plan. Although there are no assurances, it is anticipated that the agreement will close in August 2000.

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

FINANCIAL DISCLOSURE

None.

PART III

Items 10, 11, 12 and 13 of Part III (except for information required with respect to executive officers of the Company which is set forth under "Executive Officers of the Company" in Item 1 of Part I of this report) have been omitted from this report, since the Company expects to file with the Securities and Exchange Commission, not later than 120 days after the close of its fiscal year, a definitive proxy statement. The information required by Items 10, 11, 12 and 13 of this report, which will appear in the definitive proxy statement, is incorporated by reference into Part III of this report.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Item 14(a) (1) Consolidated Financial Statements included under Item 8:

Report of Independent Public Accountants

Consolidated Balance Sheets as of April 30, 1999 and 2000

Consolidated Statements of Operations for the Years Ended April 30, 1998, 1999 and 2000.

Consolidated Statements of Redeemable Preferred Stock, Redeemable Put Warrants and Stockholders' Equity for the Years Ended April 30, 1998, 1999 and 2000.

Consolidated Statements of Cash Flow for the Years Ended April 30, 1998, 1999 and 2000.

Notes to Consolidated Financial Statements

Item 14(a) (2) Schedule II - Valuation and Qualifying Accounts

Schedule II - Allowance for Doubtful Accounts

Item 14(a) (3) Exhibits:

The following Exhibits are filed as part of this report under Item 14(c):

Exhibit

No.	Description
---	-----
2.1(1)	Agreement and Plan of Merger dated as of January 12, 1999 and as amended by Amendments No. 1, 2 and 3 thereto, among Casella Waste Systems, Inc. ("Casella"), KTI, Inc. ("KTI") and Rutland Acquisition Sub, Inc. (incorporated herein by reference to Annex A to the registration statement on Form S-4 as filed November 12, 1999(file no. 333-90913)).
3.1	Amended and Restated Certificate of Incorporation of Casella (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form S-8 of Casella as filed November 18, 1998(file no. 333-67487)).
3.3	Second Amended and Restated By-Laws of Casella (incorporated herein by reference to Exhibit 3.4 to the registration statement on Form S-1 of Casella as filed September 24, 1997 (file no. 333-33135)).
4.1	Form of stock certificate of Casella Class A Common Stock (incorporated herein by reference to Exhibit 4 to Amendment No. 2 to the registration statement on Form S-1 of Casella as filed October 9, 1997 (file no. 333-33135)).
10.1	1993 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.2	1994 Nonstatutory Stock Option Plan (incorporated herein by reference

to Exhibit 10.2 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).

- 10.3 1996 Stock Option Plan (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.4 1997 Non-Employee Director Stock Option Plan (incorporated herein by reference to Exhibit 10.5 to Amendment No. 1 to the registration statement on Form S-1 of Casella as filed September 24, 1997 (file no. 333-33135)).
- 10.5 Amended and Restated 1997 Stock Incentive Plan (incorporated herein by reference to the Definitive Proxy Statement on Schedule 14A of Casella as filed September 21, 1998).
- 10.6 Registration Rights Agreement between Casella and Susan Olivieri and Robert MacNeil, dated January 3, 1996 (incorporated herein by reference to Exhibit 10.6 to Amendment No. 1 to the registration statement on Form S-1 of Casella as filed September 24, 1997 (file no. 333-33135)).
- 10.7 1995 Stockholders Agreement between Casella and the stockholders who are a party thereto, dated as of December 22, 1995 (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.8 1995 Registration Rights Agreement between Casella and the stockholders who are a party thereto, dated as of December 22, 1995 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.9 1995 Repurchase Agreement between Casella and the stockholders who are a party thereto, dated as of December 22, 1995 (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.10 Management Services Agreement between Casella, BCI Growth III, L.P., North Atlantic Venture Fund, L.P., and Vermont Venture Capital Fund, L.P., dated as of December 22, 1995 (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.11 Warrant to Purchase Common Stock of Casella granted to John W. Casella, dated as of July 26, 1993 (incorporated herein by reference to Exhibit 10.11 to Amendment No. 1 to the registration statement on Form S-1 of Casella as filed September 24, 1997 (file no. 333-33135)).
- 10.12 Warrant to Purchase Common Stock of Casella granted to Douglas R. Casella, dated as of July 26, 1993 (incorporated herein by reference to Exhibit 10.12 to Amendment No. 1 to the registration statement on Form S-1 of Casella as filed September 24, 1997 (file no. 333-33135)).
- 10.13 Asset Purchase Agreement by and among Kenneth H. Mead, Kerkim, Inc. and Casella Waste Management of N.Y., dated as of January 17, 1997 (incorporated herein by reference to Exhibit 10.13 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 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 (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.15 Termination of Lease Agreement by and between Casella Associates and Casella Waste Management, Inc. dated September 25, 1996 (incorporated herein by reference to Exhibit 10.15 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.16 Amended and Restated Revolving Credit and Term Loan Agreement between the Registrant and BankBoston, dated as of January 12, 1998 (incorporated herein by reference to Exhibit 10.13 to the registration

statement on Form S-1 of Casella as filed June 3, 1998 (file no. 333-55879)).

- 10.17 Lease Agreement, as Amended, between Casella Associates and Casella Waste Management, Inc., dated December 9, 1994 (Rutland lease) (incorporated herein by reference to Exhibit 10.17 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.18 Lease Agreement, as Amended, between Casella Associates and Casella Waste Management, Inc., dated December 9, 1994 (Montpelier lease) (incorporated herein by reference to Exhibit 10.18 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.19 Furniture and Fixtures Lease Renewal Agreement between Casella Associates and Casella Waste Management, Inc., dated May 1, 1994 (incorporated herein by reference to Exhibit 10.19 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.20 Lease, Operations and Maintenance Agreement between CV Landfill, Inc. and the Registrant dated June 30, 1994 (incorporated herein by reference to Exhibit 10.20 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.21 Restated Operation and Management Agreement by and between Clinton County (N.Y.) and the Registrant dated September 9, 1996 (incorporated herein by reference to Exhibit 10.21 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.22 Labor Utilization Agreement by and between Clinton County (N.Y.) and the Registrant dated August 7, 1996 (incorporated herein by reference to Exhibit 10.22 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.23 Lease and Option Agreement by and between Waste U.S.A., Inc. and New England Waste Services of Vermont, Inc., dated December 14, 1995 (incorporated herein by reference to Exhibit 10.23 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.24 Consulting and Non-Competition Agreement between Casella and Kenneth H. Mead, dated January 23, 1997 (incorporated herein by reference to Exhibit 10.24 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.25 Issuance of Shares by Casella to National Waste Industries, Inc., dated October 19, 1994 (incorporated herein by reference to Exhibit 10.25 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.26 Registration Rights Agreement by and among Casella, Joseph M. Winters, Andrew B. Winters, Brigid Winters, Sean Winters and Maureen Winters (the "All Cycle Stockholders"), dated as of December 19, 1997. (incorporated herein by reference Exhibit 10.23 to the registration statement filed on Form S-1 of Casella as filed June 3, 1998 (file no. 333-55879)).
- 10.27 Amendment No. 1 to Registration Rights Agreement by and among the Registrant, the All Cycle Stockholders, Winters Family Partnership and Goldman, Sachs & Co., dated as of June 3, 1998. (incorporated herein by reference to Exhibit 10.24 to the registration statement on Form S-1 of Casella as filed June 3, 1998 (file no. 333-55879)).
- 10.28 Amendment No. 2 to Lease Agreement, by and between Casella Associates and Casella Waste Management, Inc., dated as of November 20, 1997 (Rutland lease). (incorporated herein by reference to Exhibit 10.25 to the registration statement on Form S-1 of Casella as filed on June 25, 1998 (file no. 333-57745)).
- 10.29 Amendment No. 1 to Stock Option Agreement (incorporated herein by reference to the Current Report on Form 8-K of Casella as filed May 13, 1999).

- 10.30 Agreement between Penobscot Energy Recovery Company and Bangor Hydro-Electric Company dated June 21, 1984, as amended (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form S-4 of KTI as filed October 18, 1994 (file no. 33-85234)).
- 10.31 Agreement between Timber Energy Resources, Inc. and Florida Power Corporation dated December 31, 1984. (incorporated herein by reference to exhibit 10.31 to the registration statement on Form S-4 as filed November 12, 1999(file no. 333-90913)).
- 10.32 Steam Agreement between Multitrade Group, Inc. and Tultex Corporation dated August 11, 1987, as amended. (incorporated herein by reference to Exhibit 10.32 to the registration statement on Form S-4 as filed November 12, 1999(file no. 333-90913)).
- 10.33 Form of Penobscot Energy Recovery Company Waste Disposal Agreement (City of Bangor) dated April 1, 1991 and Schedule of Substantially Identical Waste Disposal Agreements (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form S-4 of KTI as filed October 18, 1994 (file no. 33-85234)).
- 10.34 Steam Agreement between Multitrade Group, Inc. and Bassett-Walker, Inc. dated March 1, 1993, as amended. (incorporated herein by reference to Exhibit 10.34 to the registration statement on Form S-4 as filed November 12, 1999(file no. 333-90913)).
- 10.35 Power Purchase Agreement between Maine Energy Recovery Company and Central Maine Power Company dated January 12, 1984, as amended (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form S-4 of KTI as filed October 18, 1994 (file no. 33-85234)).
- 10.36 Host Municipalities' Waste Handling Agreement among Biddeford-Saco Solid Waste Committee, City of Biddeford, City of Saco and Maine Energy Recovery Company dated June 7, 1991 (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form S-4 of KTI as filed October 18, 1994 (file no. 33-85234)).
- 10.37 Form of Maine Energy Recovery Company Waste Handling Agreement (Town of North Berwick) dated June 7, 1991 and Schedule of Substantially Identical Waste Disposal Agreements (incorporated herein by reference to Exhibit 10.11 to the registration statement on Form S-4 of KTI as filed October 18, 1994 (file no. 33-85234)).
- 10.38 Third Amendment to Power Purchase Agreement between Maine Energy Recovery Company, L.P. and Central Maine Power Company dated November 6, 1995. (incorporated herein by reference to Exhibit 10.38 to the registration statement on Form S-4 as filed November 12, 1999(file no. 333-90913)).
- 10.39 Steam Supply and Operating Agreement between Multitrade Group, Inc. and E.I. DuPont De Nemours & Co. dated February 11, 1998, as amended. (incorporated herein by reference to Exhibit 10.39 to the registration statement on Form S-4 as filed November 12, 1999(file no. 333-90913)).
- 10.40 Amendment No. 2 to Power Purchase Agreement between Penobscot Energy Recovery Company, L.P. and Bangor-Hydro Electric Company dated June 26, 1998 (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K of KTI as filed July 8, 1998).
- 10.41 Second Amended and Restated Waste Disposal Agreements between Penobscot Energy Recovery Company and the Municipal Review Committee, Inc. dated June 26, 1998 (incorporated herein by reference to Exhibit 4.2 to the Current Report on Form 8-K of KTI as filed July 8, 1998).
- 10.42 Non-Exclusive License to Use Technology between KTI and Oakhurst Technology, Inc. dated December 29, 1998 (incorporated herein by reference to Exhibit 4.5 to the Current Report on Form 8-K of KTI as filed January 15, 1999).
- 10.43* Employment Agreement between Casella Waste Systems, Inc. and John W. Casella dated December 8, 1999.

- 10.44* Employment Agreement between Casella Waste Systems, Inc. and James W. Bohlig dated December 8, 1999.
- 10.45* Employment Agreement between Casella Waste Systems, Inc. and Jerry S. Cifor dated December 8, 1999.
- 10.46* Employment Agreement between Casella Waste Systems, Inc. and Martin J. Sergi dated December 8, 1999.
- 10.47* Employment Agreement between Casella Waste Systems, Inc. and Ross Pirasteh dated December 8, 1999.
- 21.1 Subsidiaries of Casella Waste Systems, Inc.
- 23.1 Consent of Arthur Andersen LLP.
- 27.1 Financial Data Schedule - for the year ended April 30, 2000.
- 27.2 Financial Data Schedule - for the year ended April 30, 1999 - as restated.
- 27.3 Financial Data Schedule - for the year ended April 30, 1998 - as restated.

* - Management Compensation Agreements

Item 14(b) Reports on Form 8-K

During the quarter ended April 30, 2000 the Company filed no reports on Form 8-K:

SIGNATURES

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

CASELLA WASTE SYSTEMS, INC.

By: /s/ John W. Casella

 John W. Casella
 President and Chief
 Executive Officer

Date: August 4, 2000

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

Signature -----	Title -----	Date ----
/s/ John W. Casella ----- John W. Casella	President and Chief Executive Officer, Director	August 4, 2000
/s/ James W. Bohlig ----- James W. Bohlig	Senior Vice President and Chief Operating Officer, Director	August 4, 2000
/s/ Jerry S. Cifor ----- Jerry S. Cifor	Senior Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)	August 4, 2000
	Director	August 4, 2000

Douglas R. Casella
/s/ John F. Chapple III Director August 4, 2000

John F. Chapple III
/s/ Gregory B. Peters Director August 4, 2000

Gregory B. Peters
/s/ Ross Pirasteh Chairman of the Board of Directors August 4, 2000

Ross Pirasteh
/s/ Martin J. Sergi Director August 4, 2000

Martin J. Sergi

Director August 4, 2000

George Mitchell

Director August 4, 2000

Wilbur L. Ross Jr

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Valuation Accounts Schedule (Schedule II), is presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. This Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

/s/ Arthur Andersen LLP

Boston Massachusetts
June 30, 2000

FINANCIAL STATEMENT SCHEDULES

Schedule II

Valuation Accounts

Allowance for Doubtful Accounts

(In thousands of dollars)

	Year ended April 30,		
	1998	1999	2000
	----	----	----
Balance at beginning of period	\$ 722	\$ 1,283	\$ 1,430
Additions -			

Charged to expense	992	1,896	2,133
Acquisition related	697	273	3,427
Deductions - Bad debts written off, net of recoveries	(1,128)	(2,022)	(743)
	-----	-----	-----
Balance at end of period	\$ 1,283	\$ 1,430	\$ 6,247
	=====	=====	=====

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, dated as of December 8, 1999 (the "Agreement"), is made by and between Casella Waste Systems, Inc., a Delaware corporation (the "Company"), and John W. Casella, a resident of Rutland, Vermont (the "Employee").

WHEREAS, the Company is in the business of solid waste services and related businesses; and

WHEREAS, the Company and the Employee are mutually desirous that the Company employ the Employee, and the Employee accept employment, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, the Company and the Employee hereby agree as follows:

1. Duties.

1.1 During the Agreement Term (as defined below), the Employee shall be President, Chief Executive Officer and Director (or such other and comparable titles and positions as shall be given the Employee by the Board of Directors (the "Board") of the Company) and shall faithfully perform for the Company the duties of said office. The Company shall use its best efforts to cause the Employee to be nominated and elected to the Board and the board of directors of any successors to the Company for the duration of the Agreement Term (as defined below). The Employee shall have such corporate power and authority as are necessary to perform the duties of such office and any other office(s) that are so assigned to him. The Employee shall report directly to the Board of Directors of the Company. The Employee shall devote substantially all of his business time and effort to the performance of his duties hereunder, shall use his best efforts to advance the best interests of the Company and shall not engage in outside business activities which materially interfere with the performance of his duties hereunder; provided, however, that, subject to Section 6 below, nothing in this Agreement shall preclude the Employee from devoting reasonable periods required for participating in his family business ventures or in other professional, educational, philanthropic, public interest, charitable, social or community activities.

1.2 The duties to be performed by the Employee hereunder shall be performed primarily in Rutland, Vermont, subject to reasonable travel requirements on behalf of the Company. The Company shall not relocate the Employee outside of Rutland, Vermont, without his prior written consent.

1.3 It shall not be a violation of this Agreement including but not limited to Paragraph 1.1 of the Agreement for the Employee to:

(a) serve on the Board of Directors or any committee thereof of private or public corporations not competitive with the business of Casella and to receive customary compensation for such services;

(b) to provide consultation or management services to businesses which are not competitive with the business of Casella whether for compensation or otherwise;

provided, however, that such activities do not interfere with the Employee's duties with Casella and such duties do not require more than two hundred (200) hours of service per year in the actual performance of such duties, exclusive of travel and lodging time.

2. Term. The Company hereby employs the Employee, and the Employee hereby accepts such employment, for an initial term commencing as of the date hereof and ending on the third anniversary of such date, unless sooner terminated in accordance with the provisions of Section 4 (said initial three-year term, unless sooner terminated in accordance with the provisions of Section 4, being hereinafter referred to as the "Initial Term"). The term of this Agreement shall be automatically extended for an additional year at the expiration of the Initial Term or any succeeding term, unless written notice of

non-extension is provided by either party to the other party 180 days prior to the expiration of the Initial Term or the succeeding term, as the case may be (said Initial Term and any succeeding terms, being hereinafter referred to as the "Agreement Term").

3. Compensation.

3.1 Base Salary. During the Agreement Term and subject to the next sentence of this Section 3.1, the Employee shall be compensated at the annual rate of \$262,000 ("Base Salary"), payable on a bi-weekly basis in accordance with the Company's standard payroll procedures. On each anniversary of the date hereof, the Base Salary will be increased by an amount which will not be less than the product (if positive) of (i) the Base Salary in effect immediately prior to such anniversary and (ii) the percentage (if positive) by which the Consumer Price Index (All Items less shelter) for Urban Wage Earners and Clerical Workers, for the Northeast Region, published by the United States Government for the month preceding such anniversary exceeds such index for the comparable month in the preceding year.

3.2 Incentive Compensation. In addition to the Base Salary, the Employee shall be entitled to receive a bonus ("Bonus") consisting of (i) cash, (ii) stock options of the Company or (iii) a combination of both cash and stock options in an amount to be determined prior to the conclusion of each fiscal year of the Company during the Agreement Term in the sole discretion of the Compensation Committee of the Board (the "Compensation Committee").

3.3 Expenses. Upon submission of appropriate invoices or vouchers, the Company shall pay or reimburse the Employee for all reasonable expenses actually incurred or paid by him during the Agreement Term in the performance of his duties hereunder.

3.4 Participation in Benefit Plans. The Employee shall be entitled to participate in any health benefit or other employee benefit plans available to the Company's senior executives as in effect from time to time, including, without limitation, any qualified or non-qualified pension, profit sharing and savings plans, any death and disability benefit plans, any medical, dental, health and welfare plans and any stock purchase programs, on terms and conditions at least as favorable as provided to other senior executives, to the extent that he may be eligible to do so under the applicable provisions of any such plan. Following the termination of the

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Employee hereunder or the expiration of any Severance Benefits (as defined in Section 4.4.1) and for the lifetime of the Employee, the Employee and his eligible dependents shall be entitled to continue participating (at the Employee's sole expense) in the Company's group medical, dental, disability and life insurance coverages (to the extent the Company's plans entitle the Employee and his dependents to be so covered), with the Employee's cost to be determined on a basis consistent with the method of determining employee payments under the health care continuation requirements of the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA").

3.5 Vacation. The Employee shall be entitled to five weeks of annual vacation and shall be subject to the Company's standard vacation policy applicable to someone of his position and seniority. Unused vacation shall not be carried over into any subsequent year during the Agreement Term. The Company shall have no obligation to pay the Employee for any unused vacation.

3.6 Fringe Benefits and Perquisites. The Employee shall be entitled to all fringe benefits and perquisites that are generally made available to senior executives of the Company from time to time and that are approved by the Compensation Committee. The Company shall, during the Agreement Term, continue to provide the Employee with the use of a motor vehicle on the terms applicable to the Employee on the date of this Agreement.

4. Termination. The Employee's employment hereunder may be terminated only upon the expiration of the Agreement Term of this Agreement pursuant to Section 2 above or under the following circumstances:

4.1 Death. The Employee's employment hereunder shall terminate automatically upon his death, in which event the Company shall pay to the Employee's written designee or, if he has no written designee, to his spouse or,

if he leaves no spouse and has no written designee, to his estate, (i) Severance and Acceleration Payment (as such terms are defined in Section 4.4.1 below) immediately upon death, (ii) Severance Benefits to the Employee's eligible dependents for a one-year period from the date of death and (iii) all reasonable expenses actually incurred or paid by the Employee in the performance of his duties hereunder prior to the date of death.

4.2 Disability. The Company may terminate the Employee's employment hereunder if (i) as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been absent from his duties hereunder on a full-time basis for an aggregate of 180 consecutive or non-consecutive business days in any 12 consecutive-month period and (ii) within 10 days after written notice of termination hereunder is given by the Company, the Employee shall not have returned to the performance of his duties hereunder on a full-time basis. The determination of incapacity or disability under the preceding sentence shall be made in good faith by the Company based upon information supplied by a physician selected by the Company or its insurers and reasonably acceptable to the Employee or his legal representative. During any period that the Employee fails to perform his duties hereunder as a result of incapacity due to physical or mental illness (the "Disability Period"), the Employee shall continue to receive his full Base Salary hereunder until his employment is terminated pursuant to this Section 4.2, provided that amounts payable to the Employee shall be reduced by the sum of the amounts, if any, paid to the Employee during the Disability Period under any disability benefit plans of the

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Company. If the Employee is terminated pursuant to this Section 4.2 the Company shall pay to the Employee (or his legal representative) (i) Severance and Acceleration Payment (as such terms are defined in Section 4.4.1 below), (ii) Severance Benefits to the Employee for a one-year period from the date of termination due to disability and (iii) all reasonable expenses actually incurred or paid by the Employee in the performance of his duties hereunder prior to the date of termination due to disability.

4.3 Termination by the Company.

4.3.1 The Company (i) shall have "cause" to terminate the Employee's employment hereunder upon the Employee (A) being convicted of a crime involving the Company (other than pursuant to actions taken at the direction or with the approval of the Board), (B) being found by reasonable determination of the Company, made in good faith, to have engaged in (1) willful misconduct which has a material adverse effect on the Company, (2) willful or gross neglect which has a material adverse effect on the Company, (3) fraud, (4) misappropriation or (5) embezzlement in the performance of his duties hereunder or (C) having breached in any material respect the material terms and provisions of this Agreement and failed to cure such breach within 15 days following written notice from the Company specifying such breach and (ii) may terminate the Employee's employment on written notice given to the Employee at any time following the occurrence of any of the events described in clauses (i) (A) and (i) (B) above and on written notice given to the Employee at any time not less than 60 days following the occurrence of any of the events described in clause (i) (C) above. However, in no event shall the Employee's employment be considered to have been terminated for "cause" unless and until the Employee receives a copy of a resolution adopted by the Board finding that, in the good faith opinion of the Board, the Employee is guilty of acts or omissions constituting "cause," which resolution has been duly adopted by an affirmative vote of a majority of the Board, excluding the Employee and any individual alleged to have participated in the acts constituting "cause." Any such vote shall be taken at a meeting of the Board called and held for such purpose, after reasonable written notice is provided to the Employee setting forth in reasonable detail the facts and circumstances claimed to provide a basis of termination for "cause" and the Employee is given an opportunity, together with counsel, to be heard before the Board. In the event the Employee's employment is terminated by the Company for "cause", the Employee shall be entitled to continue to receive Base Salary accrued but unpaid and expenses incurred but not repaid to the Employee, in each case only until the effective date of such termination.

4.3.2 In the event the Employee's employment is terminated by the Company other than for "cause", the Employee shall be entitled to (i) Severance and Acceleration Payment immediately upon termination and (ii) Severance Benefits for each year during the Severance Benefits Term (as such capitalized

terms are defined in Section 4.4 below).

4.4 Termination by Employee.

4.4.1 Definitions. For purposes of this Section 4.4, the following terms shall have the respective meanings set forth below:

(a) "Affiliate" means, with respect to the Company, any entity directly or indirectly controlled, controlling or under common control with the Company.

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(b) "Acceleration Payment" means an amount in cash equal to the value of (i) any Base Salary accrued but unpaid prior to the date of termination, (ii) Bonus accrued but unpaid prior to the date of termination and (iii) any vacation accrued but unused prior to the date of termination.

(c) "Change of Control" means: (i) a person, corporation, entity or group acquires, directly or indirectly, the beneficial ownership of 40% or more of the issued and outstanding stock of the Company in a single transaction or series of transactions, (ii) the Company is a party to a merger, consolidation or similar transaction and following such transaction 40% or more of the issued and outstanding securities of said party is beneficially owned by a person, corporation, entity or group other than the Company or an Affiliate of the Company, (iii) the Company sells or transfers all or substantially all of its assets to any other persons or persons other than an Affiliate of the Company, (iv) the shareholders of the Company approve a plan or proposal for the liquidation or dissolution of the Company or (v) during any two-year period, individuals who comprise a majority of the Board at the beginning of such two-year period do not comprise a majority of the Board at the end of such two-year period (such Board composition being referred to as a "Continuing Majority").

(d) "Good Reason" means: the occurrence of (A) a Change of Control, accompanied by, or followed within the twelve-month period after a Change in Control by: (B) (i) the assignment to the Employee of any duties inconsistent with his status as President, Chief Executive Officer and Director or which require travel significantly more time-consuming than that required at commencement of this Agreement or, (ii) a material adverse alteration in the nature or status of his responsibilities from those provided herein or the transfer of a significant portion of such responsibilities to one or more other persons, or (iii) a material diminution in the Employee's compensation.

(e) "Qualified Good Reason" means the occurrence of one of the events under clause (B) (i), (ii) or (iii) of the definition of Good Reason.

(f) "Severance" means three times the sum of (i) the highest Base Salary that was paid to the Employee at any time prior to termination by the Employee for Good Reason or prior to when the Employee's employment is terminated by the Company other than for "cause" and (ii) the higher of (A) the most recent Bonus paid to the Employee prior to termination by the Employee for Good Reason or prior to when the Employee's employment is terminated by the Company other than for "cause" or (B) 50% of the Employee's Base Salary immediately prior to such termination.

(g) "Severance Benefits" means the benefits contemplated by Section 3.4 of this Agreement.

(h) "Severance Benefits Term" means three years from the date Employee elects to terminate his employment for Good Reason, or the Employee's employment is terminated by the Company other than for "cause."

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4.4.2 At the election of the Employee for Good Reason or Qualified Good

Reason the Employee may terminate his employment immediately upon written notice to the Company; provided, however, that Employee must make such election to terminate his employment for Good Reason or Qualified Good Reason within 90 days of the occurrence of such event that qualifies as Good Reason or Qualified Good Reason under Section 4.4.1(d) or (e), respectively, of this Agreement. If during the Agreement Term the Employee's employment is terminated by the Employee for Good Reason, the Employee shall be entitled to receive from the Company (i) Severance and the Acceleration Payment immediately upon termination, (ii) Severance Benefits for each year during the Severance Benefits Term and (iii) a cash payment in an amount equal to the amount of any excise tax imposed on Employee under Section 4999 of the Internal Revenue Code of 1986, as amended ("Section 4999"), increased by the additional federal and state income taxes on such amount, such that, after payment of this additional cash payment, the Employee's Severance, Acceleration Payment and Severance Benefits after federal and state income taxes are equal to the amount that the Employee would have received but for the imposition of the excise tax under Section 4999. If during the Agreement Term the Employee's employment is terminated by the Employee for Qualified Good Reason, the Employee shall be entitled to receive only an amount equal to his Base Salary through the remainder of the Agreement Term, payable on a bi-weekly basis, together with expenses incurred but not repaid to the Employee prior to such termination.

4.4.3 Upon 90 days' prior written notice, the Employee may terminate his employment with the Company other than for Good Reason. If the Employee voluntarily terminates his employment with the Company other than for Good Reason, no further payment shall be due the Employee pursuant to Section 3 above (other than payments for accrued and unpaid Base Salary and expenses incurred but not repaid to the Employee, in each case prior to such termination).

4.5 Effect of Termination on Certain Obligations. No termination of the employment of the Employee, whether voluntary or involuntary, shall terminate, affect or impair any of the obligations or rights of the parties set forth in Sections 4, 5, 6, 7 and 8 of this Agreement, all of which obligations and rights shall survive any termination of employment of the Employee hereunder.

5. Covenant Not to Disclose Confidential Information. The Employee acknowledges that during the course of his affiliation with the Company he has or will have access to and knowledge of certain information and data which the Company considers confidential and the release of such information or data to unauthorized persons would be extremely detrimental to the Company. As a consequence, the Employee hereby agrees and acknowledges that he owes a duty to the Company not to disclose, and agrees that without the prior written consent of the Company, at any time, either during or after his employment with the Company, he will not communicate, publish or disclose, to any person anywhere, or use, any Confidential Information (as hereinafter defined), except as may be necessary or appropriate to conduct his duties hereunder, provided the Employee is acting in good faith and in the best interest of the Company. The Employee will use his best efforts at all times to hold in confidence and to safeguard any Confidential Information from falling into the hands of any unauthorized person and, in particular, will not permit any Confidential Information to be read, duplicated or copied. The Employee will return to the Company all Confidential Information in the Employee's possession or under the Employee's control when the duties of the Employee no

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longer require the Employee's possession thereof, or whenever the Company shall so request, and in any event will promptly return all such Confidential Information if the Employee's relationship with the Company is terminated for any or no reason and will not retain any copies thereof. For purposes hereof, the term "Confidential Information" shall mean any information or data used by or belonging or relating to the Company that is not known generally to the industry in which the Company is or may be engaged, including without limitation, any and all trade secrets, proprietary data and information relating to the Company's business and products, price list, customer lists, processes, procedures or standards, know-how, manuals, business strategies, records, drawings, specifications, designs, financial information, whether or not reduced to writing, or information or data which the Company advises the Employee should be treated as confidential information.

6. Covenant Not to Compete. The Employee acknowledges that he, at the expense of the Company, has been and will be specially trained in the business of the Company, has established and will continue to establish favorable

relations with the customers, clients and accounts of the Company and will have access to trade secrets of the Company. Therefore, in consideration of such training and relations and to further protect trade secrets, directly or indirectly, of the Company, the Employee agrees that during the term of his employment by the Company and for a period of two (2) years from and after the voluntary or involuntary termination of such employment for any or no reason, he will not, directly or indirectly, without the express written consent of the Company:

(a) own or have any interest in or act as an officer, director, partner, principal, employee, agent, representative, consultant or independent contractor of, or in any way assist in, any business located in or doing business in the United States of America or Canada in any area within 300 miles of any facility of the Company during the term of the Employee's employment by the Company which is engaged, directly or indirectly, in (i) the solid waste processing business, (ii) the utilization of recyclable materials business or (iii) any other business the Company is engaged in or proposes to engage in on the date this Agreement is terminated (the businesses described in clauses (a) (i), (ii) and (iii) are collectively referred to as the "Competitive Businesses"); provided, however, that notwithstanding the above, the Employee may own, directly or indirectly, solely as an investment, securities of any such person which are traded on any national securities exchange or NASDAQ if the Employee (A) is not a controlling person of, or a member of a group which controls, such person and (B) does not, directly or indirectly, own 5% or more of any class of securities of such person;

(b) solicit clients, customers (who are or were customers of the Company within the twelve (12) months prior to termination) or accounts of the Company for, on behalf of or otherwise related to any such Competitive Businesses or any products related thereto; or

(c) solicit, employ or in any manner influence or encourage any person who is or shall be in the employ or service of the Company to leave such employ or service.

Notwithstanding the foregoing, the terms of this covenant not to compete shall be enforceable against Employee only to the extent that during Employee's employment the Company continues

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to pay Employee compensation equal to the salary level set forth in Section 3.1 of this Agreement and after termination of Employee's employment the Company continues to pay Employee (i) his Base Salary, in the case of termination pursuant to Section 4.4.3, and (ii) any and all termination payments and benefits as required under Section 4 of this Agreement. Furthermore, if any court determines that the covenant not to compete, or any part thereof, is unenforceable because of the duration of such provision or the geographic area or scope covered thereby, such court shall have the power to reduce the duration, area or scope of such provisions and, in its reduced form, such provision shall then be enforceable and shall be enforced.

7. Specific Performance. Recognizing that irreparable damage will result to the Company in the event of the breach or threatened breach of any of the foregoing covenants and assurance by the Employee contained in Sections 5 or 6 hereof, and that the Company's remedies at law for any such breach or threatened breach will be inadequate, the Company and its successors and assigns, in addition to such other remedies which may be available to them, shall be entitled to an injunction, including a mandatory injunction, to be issued by any court of competent jurisdiction ordering compliance with this Agreement or enjoining and restraining the Employee, and each and every person, firm or company acting in concert or participation with him, from the continuation of such breach.

8. Potential Unenforceability of Any Provision. The Employee acknowledges and agrees that he has had an opportunity to seek advice of counsel in connection with this Agreement. If a final judicial determination is made that any provision of this Agreement is an unenforceable restriction against the Employee, the provisions hereof shall be rendered void only to the extent that such judicial determination finds such provisions unenforceable, and such unenforceable provisions shall automatically be reconstituted and become a part of this Agreement, effective as of the date first written above, to the maximum extent in favor of the Company that is lawfully enforceable. A judicial

determination that any provision of this Agreement is unenforceable shall in no instance render the entire Agreement unenforceable, but rather the Agreement will continue in full force and effect absent any unenforceable provision to the maximum extent permitted by law.

9. Indemnification. To the fullest extent permitted or required by the laws of the State of Delaware, the Company shall indemnify and hold harmless (including the advance payment of expenses) the Employee, in accordance with the terms of such laws, if the Employee is made a party, or threatened to be made a party, to any threatened, pending, or contemplated suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that the Employee is or was an officer or director of the Company or any subsidiary or affiliate of the Company, against expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any such action, suit or proceeding. The Company's obligations under this paragraph will survive the termination of this Agreement for any reason whatsoever.

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10. Notice. Any notice or other communication hereunder shall be in writing and shall be mailed or delivered to the respective parties hereto as follows:

(a) If to the Company:

Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, VT 05702
Attention: Chief Financial Officer and Chairman
of the Board of Directors

(b) If to the Employee:

John W. Casella
67 Ives Avenue
Rutland, VT 05701

The addresses of either party hereto above may be changed by written notice to the other party.

11. Amendment; Waiver. This Agreement may be amended, modified, superseded, cancelled, renewed or extended and the terms of covenants hereof may be waived, only by written instrument executed by the party against whom such modification or waiver is sought to be enforced. The failure of either party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by either party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant in this Agreement.

12. Benefit and Binding Effect. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company, but shall be personal to and not assignable by the Employee. The obligations of the Company hereunder are personal to the Employee or where applicable to his spouse or estate, and shall be continued only so long as the Employee shall be personally discharging his duties hereunder. The Company may assign its rights, together with its obligations, to any corporation which is a direct or indirect wholly-owned subsidiary of the Company; provided, however, that the Company shall not be released from its obligations hereunder without the prior written consent of the Employee, which consent shall not be unreasonably withheld.

13. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE REGARDLESS OF THE LAWS THAT MIGHT BE APPLICABLE UNDER PRINCIPLES OF CONFLICTS OF LAW.

14. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

15. Headings. The headings in this Agreement are for reference only

and shall not affect the interpretation of this Agreement.

16. Entire Agreement. This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior

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discussions and preliminary agreements. No subsequent modifications may be made to this Agreement except by signed writing of the parties.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

Witness: /s/ Priscilla Hughes

/s/ John W. Casella

John W. Casella

CASELLA WASTE SYSTEMS, INC.

By: /s/ James W. Bohlig

Name: James W. Bohlig
Title:

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, dated as of December 8, 1999 (the "Agreement"), is made by and between Casella Waste Systems, Inc., a Delaware corporation (the "Company"), and James W. Bohlig, a resident of Cuttingsville, Vermont (the "Employee").

WHEREAS, the Company is in the business of solid waste services and related businesses; and

WHEREAS, the Company and the Employee are mutually desirous that the Company employ the Employee, and the Employee accept employment, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, the Company and the Employee hereby agree as follows:

1. Duties.

1.1 During the Agreement Term (as defined below), the Employee shall be Senior Vice President, Chief Operating Officer and Director (or such other and comparable titles and positions as shall be given the Employee by the Board of Directors (the "Board") of the Company) and shall faithfully perform for the Company the duties of said office. The Company shall use its best efforts to cause the Employee to be nominated and elected to the Board and the board of directors of any successors to the Company for the duration of the Agreement Term (as defined below). The Employee shall have such corporate power and authority as are necessary to perform the duties of such office and any other office(s) that are so assigned to him. The Employee shall report directly to the Chief Executive Officer of the Company. The Employee shall devote substantially all of his business time and effort to the performance of his duties hereunder, shall use his best efforts to advance the best interests of the Company and shall not engage in outside business activities which materially interfere with the performance of his duties hereunder; provided, however, that, subject to Section 6 below, nothing in this Agreement shall preclude the Employee from devoting reasonable periods required for participating in his family business ventures or in other professional, educational, philanthropic, public interest, charitable, social or community activities.

1.2 The duties to be performed by the Employee hereunder shall be performed primarily in Rutland, Vermont, subject to reasonable travel requirements on behalf of the Company. The Company shall not relocate the Employee outside of Rutland, Vermont, without his prior written consent.

1.3 It shall not be a violation of this Agreement including but not limited to Paragraph 1.1 of the Agreement for the Employee to:

(a) serve on the Board of Directors or any committee thereof of private or public corporations not competitive with the business of Casella and to receive customary compensation for such services;

(b) to provide consultation or management services to businesses which are not competitive with the business of Casella whether for compensation or otherwise;

(c) to continue Employee's current relationship with Nova Pb;

provided, however, that such activities do not interfere with Bohlig's duties with Casella and such duties do not require more than two hundred (200) hours of service per year in the actual performance of such duties, exclusive of travel and lodging time.

2. Term. The Company hereby employs the Employee, and the Employee hereby accepts such employment, for an initial term commencing as of the date hereof and ending on the third anniversary of such date, unless sooner terminated in accordance with the provisions of Section 4 (said initial three-year term, unless sooner terminated in accordance with the provisions of Section 4, being hereinafter referred to as the "Initial Term"). The term of

this Agreement shall be automatically extended for an additional year at the expiration of the Initial Term or any succeeding term, unless written notice of non-extension is provided by either party to the other party 180 days prior to the expiration of the Initial Term or the succeeding term, as the case may be (said Initial Term and any succeeding terms, being hereinafter referred to as the "Agreement Term").

3. Compensation.

3.1 Base Salary. During the Agreement Term and subject to the next sentence of this Section 3.1, the Employee shall be compensated at the annual rate of \$250,000 ("Base Salary"), payable on a bi-weekly basis in accordance with the Company's standard payroll procedures. On each anniversary of the date hereof, the Base Salary will be increased by an amount which will not be less than the product (if positive) of (i) the Base Salary in effect immediately prior to such anniversary and (ii) the percentage (if positive) by which the Consumer Price Index (All Items less shelter) for Urban Wage Earners and Clerical Workers, for the Northeast Region, published by the United States Government for the month preceding such anniversary exceeds such index for the comparable month in the preceding year.

3.2 Incentive Compensation. In addition to the Base Salary, the Employee shall be entitled to receive a bonus ("Bonus") consisting of (i) cash, (ii) stock options of the Company or (iii) a combination of both cash and stock options in an amount to be determined prior to the conclusion of each fiscal year of the Company during the Agreement Term in the sole discretion of the Compensation Committee of the Board (the "Compensation Committee").

3.3 Expenses. Upon submission of appropriate invoices or vouchers, the Company shall pay or reimburse the Employee for all reasonable expenses actually incurred or paid by him during the Agreement Term in the performance of his duties hereunder.

3.4 Participation in Benefit Plans. The Employee shall be entitled to participate in any health benefit or other employee benefit plans available to the Company's senior executives as in effect from time to time, including, without limitation, any qualified or non-qualified pension, profit sharing and savings plans, any death and disability benefit plans, any medical, dental, health and welfare plans and any stock purchase programs, on terms and conditions at least as favorable as provided to other senior executives, to the extent that he may be eligible to

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do so under the applicable provisions of any such plan. Following the termination of the Employee hereunder or the expiration of any Severance Benefits (as defined in Section 4.4.1) and for the lifetime of the Employee, the Employee and his eligible dependents shall be entitled to continue participating (at the Employee's sole expense) in the Company's group medical, dental, disability and life insurance coverages (to the extent the Company's plans entitle the Employee and his dependents to be so covered), with the Employee's cost to be determined on a basis consistent with the method of determining employee payments under the health care continuation requirements of the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA").

3.5 Vacation. The Employee shall be entitled to five weeks of annual vacation and shall be subject to the Company's standard vacation policy applicable to someone of his position and seniority. Unused vacation shall not be carried over into any subsequent year during the Agreement Term. The Company shall have no obligation to pay the Employee for any unused vacation.

3.6 Fringe Benefits and Perquisites. The Employee shall be entitled to all fringe benefits and perquisites that are generally made available to senior executives of the Company from time to time and that are approved by the Compensation Committee. The Company shall, during the Agreement Term, continue to provide the Employee with the use of a motor vehicle on the terms applicable to the Employee on the date of this Agreement.

4. Termination. The Employee's employment hereunder may be terminated only upon the expiration of the Agreement Term of this Agreement pursuant to Section 2 above or under the following circumstances:

4.1 Death. The Employee's employment hereunder shall terminate

automatically upon his death, in which event the Company shall pay to the Employee's written designee or, if he has no written designee, to his spouse or, if he leaves no spouse and has no written designee, to his estate, (i) Severance and Acceleration Payment (as such terms are defined in Section 4.4.1 below) immediately upon death, (ii) Severance Benefits to the Employee's eligible dependents for a one-year period from the date of death and (iii) all reasonable expenses actually incurred or paid by the Employee in the performance of his duties hereunder prior to the date of death.

4.2 Disability. The Company may terminate the Employee's employment hereunder if (i) as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been absent from his duties hereunder on a full-time basis for an aggregate of 180 consecutive or non-consecutive business days in any 12 consecutive-month period and (ii) within 10 days after written notice of termination hereunder is given by the Company, the Employee shall not have returned to the performance of his duties hereunder on a full-time basis. The determination of incapacity or disability under the preceding sentence shall be made in good faith by the Company based upon information supplied by a physician selected by the Company or its insurers and reasonably acceptable to the Employee or his legal representative. During any period that the Employee fails to perform his duties hereunder as a result of incapacity due to physical or mental illness (the "Disability Period"), the Employee shall continue to receive his full Base Salary hereunder until his employment is terminated pursuant to this Section 4.2, provided that amounts payable to the Employee shall be reduced by the sum of the amounts, if

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any, paid to the Employee during the Disability Period under any disability benefit plans of the Company. If the Employee is terminated pursuant to this Section 4.2 the Company shall pay to the Employee (or his legal representative) (i) Severance and Acceleration Payment (as such terms are defined in Section 4.4.1 below), (ii) Severance Benefits to the Employee for a one-year period from the date of termination due to disability and (iii) all reasonable expenses actually incurred or paid by the Employee in the performance of his duties hereunder prior to the date of termination due to disability.

4.3 Termination by the Company.

4.3.1 The Company (i) shall have "cause" to terminate the Employee's employment hereunder upon the Employee (A) being convicted of a crime involving the Company (other than pursuant to actions taken at the direction or with the approval of the Board), (B) being found by reasonable determination of the Company, made in good faith, to have engaged in (1) willful misconduct which has a material adverse effect on the Company, (2) willful or gross neglect which has a material adverse effect on the Company, (3) fraud, (4) misappropriation or (5) embezzlement in the performance of his duties hereunder or (C) having breached in any material respect the material terms and provisions of this Agreement and failed to cure such breach within 15 days following written notice from the Company specifying such breach and (ii) may terminate the Employee's employment on written notice given to the Employee at any time following the occurrence of any of the events described in clauses (i) (A) and (i) (B) above and on written notice given to the Employee at any time not less than 60 days following the occurrence of any of the events described in clause (i) (C) above. However, in no event shall the Employee's employment be considered to have been terminated for "cause" unless and until the Employee receives a copy of a resolution adopted by the Board finding that, in the good faith opinion of the Board, the Employee is guilty of acts or omissions constituting "cause," which resolution has been duly adopted by an affirmative vote of a majority of the Board, excluding the Employee and any individual alleged to have participated in the acts constituting "cause." Any such vote shall be taken at a meeting of the Board called and held for such purpose, after reasonable written notice is provided to the Employee setting forth in reasonable detail the facts and circumstances claimed to provide a basis of termination for "cause" and the Employee is given an opportunity, together with counsel, to be heard before the Board. In the event the Employee's employment is terminated by the Company for "cause", the Employee shall be entitled to continue to receive Base Salary accrued but unpaid and expenses incurred but not repaid to the Employee, in each case only until the effective date of such termination.

4.3.2 In the event the Employee's employment is terminated by the Company other than for "cause", the Employee shall be entitled to (i) Severance and Acceleration Payment immediately upon termination and (ii) Severance

Benefits for each year during the Severance Benefits Term (as such capitalized terms are defined in Section 4.4 below).

4.4 Termination by Employee.

4.4.1 Definitions. For purposes of this Section 4.4, the following terms shall have the respective meanings set forth below:

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(a) "Affiliate" means, with respect to the Company, any entity directly or indirectly controlled, controlling or under common control with the Company.

(b) "Acceleration Payment" means an amount in cash equal to the value of (i) any Base Salary accrued but unpaid prior to the date of termination, (ii) Bonus accrued but unpaid prior to the date of termination and (iii) any vacation accrued but unused prior to the date of termination.

(c) "Change of Control" means: (i) a person, corporation, entity or group acquires, directly or indirectly, the beneficial ownership of 40% or more of the issued and outstanding stock of the Company in a single transaction or series of transactions, (ii) the Company is a party to a merger, consolidation or similar transaction and following such transaction 40% or more of the issued and outstanding securities of said party is beneficially owned by a person, corporation, entity or group other than the Company or an Affiliate of the Company, (iii) the Company sells or transfers all or substantially all of its assets to any other persons or persons other than an Affiliate of the Company, (iv) the shareholders of the Company approve a plan or proposal for the liquidation or dissolution of the Company or (v) during any two-year period, individuals who comprise a majority of the Board at the beginning of such two-year period do not comprise a majority of the Board at the end of such two-year period (such Board composition being referred to as a "Continuing Majority").

(d) "Good Reason" means: the occurrence of (A) a Change of Control, accompanied by, or followed within the twelve-month period after a Change in Control by: (B) (i) the assignment to the Employee of any duties inconsistent with his status as Senior Vice President, Chief Operating Officer and Director or which require travel significantly more time-consuming than that required at commencement of this Agreement or, (ii) a material adverse alteration in the nature or status of his responsibilities from those provided herein or the transfer of a significant portion of such responsibilities to one or more other persons, or (iii) a material diminution in the Employee's compensation.

(e) "Qualified Good Reason" means the occurrence of one of the events under clause (B)(i), (ii) or (iii) of the definition of Good Reason.

(f) "Severance" means three times the sum of (i) the highest Base Salary that was paid to the Employee at any time prior to termination by the Employee for Good Reason or prior to when the Employee's employment is terminated by the Company other than for "cause" and (ii) the higher of (A) the most recent Bonus paid to the Employee prior to termination by the Employee for Good Reason or prior to when the Employee's employment is terminated by the Company other than for "cause" or (B) 50% of the Employee's Base Salary immediately prior to such termination.

(g) "Severance Benefits" means the benefits contemplated by Section 3.4 of this Agreement.

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(h) "Severance Benefits Term" means three years from the date Employee elects to terminate his employment for Good Reason, or the Employee's employment is terminated by the Company other than for "cause."

4.4.2 At the election of the Employee for Good Reason or Qualified Good Reason the Employee may terminate his employment immediately upon written notice to the Company; provided, however, that Employee must make such election to terminate his employment for Good Reason or Qualified Good Reason within 90 days of the occurrence of such event that qualifies as Good Reason or Qualified Good Reason under Section 4.4.1(d) of this Agreement. If during the Agreement Term the Employee's employment is terminated by the Employee for Good Reason, the Employee shall be entitled to receive from the Company (i) Severance and the Acceleration Payment immediately upon termination, (ii) Severance Benefits for each year during the Severance Benefits Term and (iii) a cash payment in an amount equal to the amount of any excise tax imposed on Employee under Section 4999 of the Internal Revenue Code of 1986, as amended ("Section 4999"), increased by the additional federal and state income taxes on such amount, such that, after payment of this additional cash payment, the Employee's Severance, Acceleration Payment and Severance Benefits after federal and state income taxes are equal to the amount that the Employee would have received but for the imposition of the excise tax under Section 4999. If during the Agreement Term the Employee's employment is terminated by the Employee for Qualified Good Reason, the Employee shall be entitled to receive only an amount equal to his Base Salary through the remainder of the Agreement Term, payable on a bi-weekly basis, together with expenses incurred but not repaid to the Employee prior to such termination.

4.4.3 Upon 90 days' prior written notice, the Employee may terminate his employment with the Company other than for Good Reason. If the Employee voluntarily terminates his employment with the Company other than for Good Reason, no further payment shall be due the Employee pursuant to Section 3 above (other than payments for accrued and unpaid Base Salary and expenses incurred but not repaid to the Employee, in each case prior to such termination).

4.5 Effect of Termination on Certain Obligations. No termination of the employment of the Employee, whether voluntary or involuntary, shall terminate, affect or impair any of the obligations or rights of the parties set forth in Sections 4, 5, 6, 7 and 8 of this Agreement, all of which obligations and rights shall survive any termination of employment of the Employee hereunder.

5. Covenant Not to Disclose Confidential Information. The Employee acknowledges that during the course of his affiliation with the Company he has or will have access to and knowledge of certain information and data which the Company considers confidential and the release of such information or data to unauthorized persons would be extremely detrimental to the Company. As a consequence, the Employee hereby agrees and acknowledges that he owes a duty to the Company not to disclose, and agrees that without the prior written consent of the Company, at any time, either during or after his employment with the Company, he will not communicate, publish or disclose, to any person anywhere, or use, any Confidential Information (as hereinafter defined), except as may be necessary or appropriate to conduct his duties hereunder, provided the Employee is acting in good faith and in the best interest of the Company. The Employee will use his best efforts at all times to hold in

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confidence and to safeguard any Confidential Information from falling into the hands of any unauthorized person and, in particular, will not permit any Confidential Information to be read, duplicated or copied. The Employee will return to the Company all Confidential Information in the Employee's possession or under the Employee's control when the duties of the Employee no longer require the Employee's possession thereof, or whenever the Company shall so request, and in any event will promptly return all such Confidential Information if the Employee's relationship with the Company is terminated for any or no reason and will not retain any copies thereof. For purposes hereof, the term "Confidential Information" shall mean any information or data used by or belonging or relating to the Company that is not known generally to the industry in which the Company is or may be engaged, including without limitation, any and all trade secrets, proprietary data and information relating to the Company's business and products, price list, customer lists, processes, procedures or standards, know-how, manuals, business strategies, records, drawings, specifications, designs, financial information, whether or not reduced to writing, or information or data which the Company advises the Employee should be treated as confidential information.

6. Covenant Not to Compete. The Employee acknowledges that he, at the expense of the Company, has been and will be specially trained in the business

of the Company, has established and will continue to establish favorable relations with the customers, clients and accounts of the Company and will have access to trade secrets of the Company. Therefore, in consideration of such training and relations and to further protect trade secrets, directly or indirectly, of the Company, the Employee agrees that during the term of his employment by the Company and for a period of two (2) years from and after the voluntary or involuntary termination of such employment for any or no reason, he will not, directly or indirectly, without the express written consent of the Company:

(a) own or have any interest in or act as an officer, director, partner, principal, employee, agent, representative, consultant or independent contractor of, or in any way assist in, any business located in or doing business in the United States of America or Canada in any area within 300 miles of any facility of the Company during the term of the Employee's employment by the Company which is engaged, directly or indirectly, in (i) the solid waste processing business, (ii) the utilization of recyclable materials business or (iii) any other business the Company is engaged in or proposes to engage in on the date this Agreement is terminated (the businesses described in clauses (a)(i), (ii) and (iii) are collectively referred to as the "Competitive Businesses"); provided, however, that notwithstanding the above, the Employee may own, directly or indirectly, solely as an investment, securities of any such person which are traded on any national securities exchange or NASDAQ if the Employee (A) is not a controlling person of, or a member of a group which controls, such person and (B) does not, directly or indirectly, own 5% or more of any class of securities of such person;

(b) solicit clients, customers (who are or were customers of the Company within the twelve (12) months prior to termination) or accounts of the Company for, on behalf of or otherwise related to any such Competitive Businesses or any products related thereto; or

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(c) solicit, employ or in any manner influence or encourage any person who is or shall be in the employ or service of the Company to leave such employ or service.

Notwithstanding the foregoing, the terms of this covenant not to compete shall be enforceable against Employee only to the extent that during Employee's employment the Company continues to pay Employee compensation equal to the salary level set forth in Section 3.1 of this Agreement and after termination of Employee's employment the Company continues to pay Employee (i) his Base Salary, in the case of termination pursuant to Section 4.4.3, and (ii) any and all termination payments and benefits as required under Section 4 of this Agreement. Furthermore, if any court determines that the covenant not to compete, or any part thereof, is unenforceable because of the duration of such provision or the geographic area or scope covered thereby, such court shall have the power to reduce the duration, area or scope of such provisions and, in its reduced form, such provision shall then be enforceable and shall be enforced.

7. Specific Performance. Recognizing that irreparable damage will result to the Company in the event of the breach or threatened breach of any of the foregoing covenants and assurance by the Employee contained in Sections 5 or 6 hereof, and that the Company's remedies at law for any such breach or threatened breach will be inadequate, the Company and its successors and assigns, in addition to such other remedies which may be available to them, shall be entitled to an injunction, including a mandatory injunction, to be issued by any court of competent jurisdiction ordering compliance with this Agreement or enjoining and restraining the Employee, and each and every person, firm or company acting in concert or participation with him, from the continuation of such breach.

8. Potential Unenforceability of Any Provision. The Employee acknowledges and agrees that he has had an opportunity to seek advice of counsel in connection with this Agreement. If a final judicial determination is made that any provision of this Agreement is an unenforceable restriction against the Employee, the provisions hereof shall be rendered void only to the extent that such judicial determination finds such provisions unenforceable, and such unenforceable provisions shall automatically be reconstituted and become a part of this Agreement, effective as of the date first written above, to the maximum extent in favor of the Company that is lawfully enforceable. A judicial

determination that any provision of this Agreement is unenforceable shall in no instance render the entire Agreement unenforceable, but rather the Agreement will continue in full force and effect absent any unenforceable provision to the maximum extent permitted by law.

9. Indemnification. To the fullest extent permitted or required by the laws of the State of Delaware, the Company shall indemnify and hold harmless (including the advance payment of expenses) the Employee, in accordance with the terms of such laws, if the Employee is made a party, or threatened to be made a party, to any threatened, pending, or contemplated suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that the Employee is or was an officer or director of the Company or any subsidiary or affiliate of the Company, against expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any such action, suit or proceeding. The Company's obligations under this paragraph will survive the termination of this Agreement for any reason whatsoever.

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10. Notice. Any notice or other communication hereunder shall be in writing and shall be mailed or delivered to the respective parties hereto as follows:

(a) If to the Company:

Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, VT 05702
Attention: Chief Executive Officer and
Chairman of the Board of Directors

(b) If to the Employee:

James W. Bohlig
Box 1043 Russellville Road
Cuttingsville, VT 05738

The addresses of either party hereto above may be changed by written notice to the other party.

11. Amendment; Waiver. This Agreement may be amended, modified, superseded, cancelled, renewed or extended and the terms of covenants hereof may be waived, only by written instrument executed by the party against whom such modification or waiver is sought to be enforced. The failure of either party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by either party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant in this Agreement.

12. Benefit and Binding Effect. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company, but shall be personal to and not assignable by the Employee. The obligations of the Company hereunder are personal to the Employee or where applicable to his spouse or estate, and shall be continued only so long as the Employee shall be personally discharging his duties hereunder. The Company may assign its rights, together with its obligations, to any corporation which is a direct or indirect wholly-owned subsidiary of the Company; provided, however, that the Company shall not be released from its obligations hereunder without the prior written consent of the Employee, which consent shall not be unreasonably withheld.

13. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE REGARDLESS OF THE LAWS THAT MIGHT BE APPLICABLE UNDER PRINCIPLES OF CONFLICTS OF LAW.

14. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

15. Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

16. Entire Agreement. This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and preliminary agreements. No subsequent modifications may be made to this Agreement except by signed writing of the parties.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

Witness: /s/ Priscilla Hughes

/s/ James W. Bohlig

James W. Bohlig

CASELLA WASTE SYSTEMS, INC.

By: /s/ John W. Casella

Name: John W. Casella
Title: President & CEO

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, dated as of December 8, 1999 (the "Agreement"), is made by and between Casella Waste Systems, Inc., a Delaware corporation (the "Company"), and Jerry S. Cifor, a resident of Manchester, Vermont (the "Employee").

WHEREAS, the Company is in the business of solid waste services and related businesses; and

WHEREAS, the Company and the Employee are mutually desirous that the Company employ the Employee, and the Employee accept employment, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, the Company and the Employee hereby agree as follows:

1. Duties.

1.1 During the Agreement Term (as defined below), the Employee shall be Senior Vice President and Chief Financial Officer (or such other and comparable titles and positions as shall be given the Employee by the Board of Directors (the "Board") of the Company) and shall faithfully perform for the Company the duties of said office. The Employee shall have such corporate power and authority as are necessary to perform the duties of such office and any other office(s) that are so assigned to him. The Employee shall report directly to the Chief Executive Officer of the Company. The Employee shall devote substantially all of his business time and effort to the performance of his duties hereunder, shall use his best efforts to advance the best interests of the Company and shall not engage in outside business activities which materially interfere with the performance of his duties hereunder; provided, however, that, subject to Section 6 below, nothing in this Agreement shall preclude the Employee from devoting reasonable periods required for participating in his family business ventures or in other professional, educational, philanthropic, public interest, charitable, social or community activities.

1.2 The duties to be performed by the Employee hereunder shall be performed primarily in Rutland, Vermont, subject to reasonable travel requirements on behalf of the Company. The Company shall not relocate the Employee outside of Rutland, Vermont, without his prior written consent.

2. Term. The Company hereby employs the Employee, and the Employee hereby accepts such employment, for an initial term commencing as of the date hereof and ending on the third anniversary of such date, unless sooner terminated in accordance with the provisions of Section 4 (said initial three-year term, unless sooner terminated in accordance with the provisions of Section 4, being hereinafter referred to as the "Initial Term"). The term of this Agreement shall be automatically extended for an additional year at the expiration of the Initial Term or any succeeding term, unless written notice of non-extension is provided by either party to the other party 180 days prior to the expiration of the Initial Term or the succeeding term, as

the case may be (said Initial Term and any succeeding terms, being hereinafter referred to as the "Agreement Term").

3. Compensation.

3.1 Base Salary. During the Agreement Term and subject to the next sentence of this Section 3.1, the Employee shall be compensated at the annual rate of \$230,000 ("Base Salary"), payable on a bi-weekly basis in accordance with the Company's standard payroll procedures. On each anniversary of the date hereof, the Base Salary will be increased by an amount which will not be less than the product (if positive) of (i) the Base Salary in effect immediately prior to such anniversary and (ii) the percentage (if positive) by which the Consumer Price Index (All Items less shelter) for Urban Wage Earners and Clerical Workers, for the Northeast Region, published by the United States Government for the month preceding such anniversary exceeds such index for the

comparable month in the preceding year.

3.2 Incentive Compensation. In addition to the Base Salary, the Employee shall be entitled to receive a bonus ("Bonus") consisting of (i) cash, (ii) stock options of the Company or (iii) a combination of both cash and stock options in an amount to be determined prior to the conclusion of each fiscal year of the Company during the Agreement Term in the sole discretion of the Compensation Committee of the Board (the "Compensation Committee").

3.3 Expenses. Upon submission of appropriate invoices or vouchers, the Company shall pay or reimburse the Employee for all reasonable expenses actually incurred or paid by him during the Agreement Term in the performance of his duties hereunder.

3.4 Participation in Benefit Plans. The Employee shall be entitled to participate in any health benefit or other employee benefit plans available to the Company's senior executives as in effect from time to time, including, without limitation, any qualified or non-qualified pension, profit sharing and savings plans, any death and disability benefit plans, any medical, dental, health and welfare plans and any stock purchase programs, on terms and conditions at least as favorable as provided to other senior executives, to the extent that he may be eligible to do so under the applicable provisions of any such plan. Following the termination of the Employee hereunder or the expiration of any Severance Benefits (as defined in Section 4.4.1) and for the lifetime of the Employee, the Employee and his eligible dependents shall be entitled to continue participating (at the Employee's sole expense) in the Company's group medical, dental, disability and life insurance coverages (to the extent the Company's plans entitle the Employee and his dependents to be so covered), with the Employee's cost to be determined on a basis consistent with the method of determining employee payments under the health care continuation requirements of the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA").

3.5 Vacation. The Employee shall be entitled to five weeks of annual vacation and shall be subject to the Company's standard vacation policy applicable to someone of his position and seniority. Unused vacation shall not be carried over into any subsequent year during the Agreement Term. The Company shall have no obligation to pay the Employee for any unused vacation.

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3.6 Fringe Benefits and Perquisites. The Employee shall be entitled to all fringe benefits and perquisites that are generally made available to senior executives of the Company from time to time and that are approved by the Compensation Committee. The Company shall, during the Agreement Term, continue to provide the Employee with the use of a motor vehicle on the terms applicable to the Employee on the date of this Agreement.

4. Termination. The Employee's employment hereunder may be terminated only upon the expiration of the Agreement Term of this Agreement pursuant to Section 2 above or under the following circumstances:

4.1 Death. The Employee's employment hereunder shall terminate automatically upon his death, in which event the Company shall pay to the Employee's written designee or, if he has no written designee, to his spouse or, if he leaves no spouse and has no written designee, to his estate, (i) Severance and Acceleration Payment (as such terms are defined in Section 4.4.1 below) immediately upon death, (ii) Severance Benefits to the Employee's eligible dependents for a one-year period from the date of death and (iii) all reasonable expenses actually incurred or paid by the Employee in the performance of his duties hereunder prior to the date of death.

4.2 Disability. The Company may terminate the Employee's employment hereunder if (i) as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been absent from his duties hereunder on a full-time basis for an aggregate of 180 consecutive or non-consecutive business days in any 12 consecutive-month period and (ii) within 10 days after written notice of termination hereunder is given by the Company, the Employee shall not have returned to the performance of his duties hereunder on a full-time basis. The determination of incapacity or disability under the preceding sentence shall be made in good faith by the Company based upon information supplied by a physician selected by the Company or its insurers and reasonably acceptable to the Employee or his legal representative. During any period that the Employee fails to perform his duties hereunder as a result of incapacity due to physical or mental illness (the "Disability Period"), the

Employee shall continue to receive his full Base Salary hereunder until his employment is terminated pursuant to this Section 4.2, provided that amounts payable to the Employee shall be reduced by the sum of the amounts, if any, paid to the Employee during the Disability Period under any disability benefit plans of the Company. If the Employee is terminated pursuant to this Section 4.2 the Company shall pay to the Employee (or his legal representative) (i) Severance and Acceleration Payment (as such terms are defined in Section 4.4.1 below), (ii) Severance Benefits to the Employee for a one-year period from the date of termination due to disability and (iii) all reasonable expenses actually incurred or paid by the Employee in the performance of his duties hereunder prior to the date of termination due to disability.

4.3 Termination by the Company.

4.3.1 The Company (i) shall have "cause" to terminate the Employee's employment hereunder upon the Employee (A) being convicted of a crime involving the Company (other than pursuant to actions taken at the direction or with the approval of the Board), (B) being found by reasonable determination of the Company, made in good faith, to have engaged in (1) willful misconduct which has a material adverse effect on the Company, (2) willful or gross neglect which has a material adverse effect on the Company, (3) fraud, (4) misappropriation or (5)

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embezzlement in the performance of his duties hereunder or (C) having breached in any material respect the material terms and provisions of this Agreement and failed to cure such breach within 15 days following written notice from the Company specifying such breach and (ii) may terminate the Employee's employment on written notice given to the Employee at any time following the occurrence of any of the events described in clauses (i)(A) and (i)(B) above and on written notice given to the Employee at any time not less than 60 days following the occurrence of any of the events described in clause (i)(C) above. However, in no event shall the Employee's employment be considered to have been terminated for "cause" unless and until the Employee receives a copy of a resolution adopted by the Board finding that, in the good faith opinion of the Board, the Employee is guilty of acts or omissions constituting "cause," which resolution has been duly adopted by an affirmative vote of a majority of the Board, excluding the Employee and any individual alleged to have participated in the acts constituting "cause." Any such vote shall be taken at a meeting of the Board called and held for such purpose, after reasonable written notice is provided to the Employee setting forth in reasonable detail the facts and circumstances claimed to provide a basis of termination for "cause" and the Employee is given an opportunity, together with counsel, to be heard before the Board. In the event the Employee's employment is terminated by the Company for "cause", the Employee shall be entitled to continue to receive Base Salary accrued but unpaid and expenses incurred but not repaid to the Employee, in each case only until the effective date of such termination.

4.3.2 In the event the Employee's employment is terminated by the Company other than for "cause", the Employee shall be entitled to (i) Severance and Acceleration Payment immediately upon termination and (ii) Severance Benefits for each year during the Severance Benefits Term (as such capitalized terms are defined in Section 4.4 below).

4.4 Termination by Employee.

4.4.1 Definitions. For purposes of this Section 4.4, the following terms shall have the respective meanings set forth below:

(a) "Affiliate" means, with respect to the Company, any entity directly or indirectly controlled, controlling or under common control with the Company.

(b) "Acceleration Payment" means an amount in cash equal to the value of (i) any Base Salary accrued but unpaid prior to the date of termination, (ii) Bonus accrued but unpaid prior to the date of termination and (iii) any vacation accrued but unused prior to the date of termination.

(c) "Change of Control" means: (i) a person, corporation, entity or group acquires, directly or indirectly, the beneficial ownership of 40% or more of the issued and outstanding stock of the Company in a

single transaction or series of transactions, (ii) the Company is a party to a merger, consolidation or similar transaction and following such transaction 40% or more of the issued and outstanding securities of said party is beneficially owned by a person, corporation, entity or group other than the Company or an Affiliate of the Company, (iii) the Company sells or transfers all or substantially all of its assets to any other persons or persons other than an Affiliate of the Company, (iv) the shareholders of the Company approve a plan or proposal for the liquidation or dissolution

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of the Company or (v) during any two-year period, individuals who comprise a majority of the Board at the beginning of such two-year period do not comprise a majority of the Board at the end of such two-year period (such Board composition being referred to as a "Continuing Majority").

(d) "Good Reason" means: the occurrence of (A) a Change of Control, accompanied by, or followed within the twelve-month period after a Change in Control by: (B) (i) the assignment to the Employee of any duties inconsistent with his status as Senior Vice President and Chief Financial Officer and Director or which require travel significantly more time-consuming than that required at commencement of this Agreement or, (ii) a material adverse alteration in the nature or status of his responsibilities from those provided herein or the transfer of a significant portion of such responsibilities to one or more other persons, or (iii) a material diminution in the Employee's compensation.

(e) "Qualified Good Reason" means the occurrence of one of the events under clause (B)(i), (ii) or (iii) of the definition of Good Reason.

(f) "Severance" means three times the sum of (i) the highest Base Salary that was paid to the Employee at any time prior to termination by the Employee for Good Reason or prior to when the Employee's employment is terminated by the Company other than for "cause" and (ii) the higher of (A) the most recent Bonus paid to the Employee prior to termination by the Employee for Good Reason or prior to when the Employee's employment is terminated by the Company other than for "cause" or (B) 50% of the Employee's Base Salary immediately prior to such termination.

(g) "Severance Benefits" means the benefits contemplated by Section 3.4 of this Agreement.

(h) "Severance Benefits Term" means three years from the date Employee elects to terminate his employment for Good Reason, or the Employee's employment is terminated by the Company other than for "cause."

4.4.2 At the election of the Employee for Good Reason or Qualified Good Reason, the Employee may terminate his employment immediately upon written notice to the Company; provided, however, that Employee must make such election to terminate his employment for Good Reason or Qualified Good Reason within 90 days of the occurrence of such event that qualifies as Good Reason or Qualified Good Reason under Section 4.4.1(d) of this Agreement. If during the Agreement Term the Employee's employment is terminated by the Employee for Good Reason, the Employee shall be entitled to receive from the Company (i) Severance and the Acceleration Payment immediately upon termination, (ii) Severance Benefits for each year during the Severance Benefits Term and (iii) a cash payment in an amount equal to the amount of any excise tax imposed on Employee under Section 4999 of the Internal Revenue Code of 1986, as amended ("Section 4999"), increased by the additional federal and state income taxes on such amount, such that, after payment of this additional cash payment, the Employee's Severance, Acceleration Payment and Severance Benefits after federal and state income taxes are equal to the amount that the Employee would have received but for the imposition of the excise

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tax under Section 4999. If during the Agreement Term the Employee's employment

is terminated by the Employee for Qualified Good Reason, the Employee shall be entitled to receive only an amount equal to his Base Salary through the remainder of the Agreement Term, payable on a bi-weekly basis, together with expenses incurred but not repaid to the Employee prior to such termination.

4.4.3 Upon 90 days' prior written notice, the Employee may terminate his employment with the Company other than for Good Reason. If the Employee voluntarily terminates his employment with the Company other than for Good Reason, no further payment shall be due the Employee pursuant to Section 3 above (other than payments for accrued and unpaid Base Salary and expenses incurred but not repaid to the Employee, in each case prior to such termination).

4.5 Effect of Termination on Certain Obligations. No termination of the employment of the Employee, whether voluntary or involuntary, shall terminate, affect or impair any of the obligations or rights of the parties set forth in Sections 4, 5, 6, 7 and 8 of this Agreement, all of which obligations and rights shall survive any termination of employment of the Employee hereunder.

5. Covenant Not to Disclose Confidential Information. The Employee acknowledges that during the course of his affiliation with the Company he has or will have access to and knowledge of certain information and data which the Company considers confidential and the release of such information or data to unauthorized persons would be extremely detrimental to the Company. As a consequence, the Employee hereby agrees and acknowledges that he owes a duty to the Company not to disclose, and agrees that without the prior written consent of the Company, at any time, either during or after his employment with the Company, he will not communicate, publish or disclose, to any person anywhere, or use, any Confidential Information (as hereinafter defined), except as may be necessary or appropriate to conduct his duties hereunder, provided the Employee is acting in good faith and in the best interest of the Company. The Employee will use his best efforts at all times to hold in confidence and to safeguard any Confidential Information from falling into the hands of any unauthorized person and, in particular, will not permit any Confidential Information to be read, duplicated or copied. The Employee will return to the Company all Confidential Information in the Employee's possession or under the Employee's control when the duties of the Employee no longer require the Employee's possession thereof, or whenever the Company shall so request, and in any event will promptly return all such Confidential Information if the Employee's relationship with the Company is terminated for any or no reason and will not retain any copies thereof. For purposes hereof, the term "Confidential Information" shall mean any information or data used by or belonging or relating to the Company that is not known generally to the industry in which the Company is or may be engaged, including without limitation, any and all trade secrets, proprietary data and information relating to the Company's business and products, price list, customer lists, processes, procedures or standards, know-how, manuals, business strategies, records, drawings, specifications, designs, financial information, whether or not reduced to writing, or information or data which the Company advises the Employee should be treated as confidential information.

6. Covenant Not to Compete. The Employee acknowledges that he, at the expense of the Company, has been and will be specially trained in the business of the Company, has

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established and will continue to establish favorable relations with the customers, clients and accounts of the Company and will have access to trade secrets of the Company. Therefore, in consideration of such training and relations and to further protect trade secrets, directly or indirectly, of the Company, the Employee agrees that during the term of his employment by the Company and for a period of two (2) years from and after the voluntary or involuntary termination of such employment for any or no reason, he will not, directly or indirectly, without the express written consent of the Company:

(a) own or have any interest in or act as an officer, director, partner, principal, employee, agent, representative, consultant or independent contractor of, or in any way assist in, any business located in or doing business in the United States of America or Canada in any area within 300 miles of any facility of the Company during the term of the Employee's employment by the Company which is engaged, directly or indirectly, in (i) the solid waste processing business, (ii) the utilization of recyclable materials business or (iii) any other business the Company is engaged in or proposes to engage in on

the date this Agreement is terminated (the businesses described in clauses (a) (i), (ii) and (iii) are collectively referred to as the "Competitive Businesses"); provided, however, that notwithstanding the above, the Employee may own, directly or indirectly, solely as an investment, securities of any such person which are traded on any national securities exchange or NASDAQ if the Employee (A) is not a controlling person of, or a member of a group which controls, such person and (B) does not, directly or indirectly, own 5% or more of any class of securities of such person;

(b) solicit clients, customers (who are or were customers of the Company within the twelve (12) months prior to termination) or accounts of the Company for, on behalf of or otherwise related to any such Competitive Businesses or any products related thereto; or

(c) solicit, employ or in any manner influence or encourage any person who is or shall be in the employ or service of the Company to leave such employ or service.

Notwithstanding the foregoing, the terms of this covenant not to compete shall be enforceable against Employee only to the extent that during Employee's employment the Company continues to pay Employee compensation equal to the salary level set forth in Section 3.1 of this Agreement and after termination of Employee's employment the Company continues to pay Employee (i) his Base Salary, in the case of termination pursuant to Section 4.4.3, and (ii) any and all termination payments and benefits as required under Section 4 of this Agreement. Furthermore, if any court determines that the covenant not to compete, or any part thereof, is unenforceable because of the duration of such provision or the geographic area or scope covered thereby, such court shall have the power to reduce the duration, area or scope of such provisions and, in its reduced form, such provision shall then be enforceable and shall be enforced.

7. Specific Performance. Recognizing that irreparable damage will result to the Company in the event of the breach or threatened breach of any of the foregoing covenants and assurance by the Employee contained in Sections 5 or 6 hereof, and that the Company's remedies at law for any such breach or threatened breach will be inadequate, the Company and its successors and assigns, in addition to such other remedies which may be available to them, shall

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be entitled to an injunction, including a mandatory injunction, to be issued by any court of competent jurisdiction ordering compliance with this Agreement or enjoining and restraining the Employee, and each and every person, firm or company acting in concert or participation with him, from the continuation of such breach.

8. Potential Unenforceability of Any Provision. The Employee acknowledges and agrees that he has had an opportunity to seek advice of counsel in connection with this Agreement. If a final judicial determination is made that any provision of this Agreement is an unenforceable restriction against the Employee, the provisions hereof shall be rendered void only to the extent that such judicial determination finds such provisions unenforceable, and such unenforceable provisions shall automatically be reconstituted and become a part of this Agreement, effective as of the date first written above, to the maximum extent in favor of the Company that is lawfully enforceable. A judicial determination that any provision of this Agreement is unenforceable shall in no instance render the entire Agreement unenforceable, but rather the Agreement will continue in full force and effect absent any unenforceable provision to the maximum extent permitted by law.

9. Indemnification. To the fullest extent permitted or required by the laws of the State of Delaware, the Company shall indemnify and hold harmless (including the advance payment of expenses) the Employee, in accordance with the terms of such laws, if the Employee is made a party, or threatened to be made a party, to any threatened, pending, or contemplated suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that the Employee is or was an officer or director of the Company or any subsidiary or affiliate of the Company, against expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any such action, suit or proceeding. The Company's obligations under this paragraph will survive the termination of this Agreement for any reason whatsoever.

10. Notice. Any notice or other communication hereunder shall be in writing and shall be mailed or delivered to the respective parties hereto as follows:

(a) If to the Company:

Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, VT 05702
Attention: Chief Executive Officer and
Chairman of the Board of Directors

(b) If to the Employee:

Jerry S. Cifor
Manchester West Road, P.O. Box 233
Manchester, VT 05254

The addresses of either party hereto above may be changed by written notice to the other party.

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11. Amendment; Waiver. This Agreement may be amended, modified, superseded, cancelled, renewed or extended and the terms of covenants hereof may be waived, only by written instrument executed by the party against whom such modification or waiver is sought to be enforced. The failure of either party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by either party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant in this Agreement.

12. Benefit and Binding Effect. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company, but shall be personal to and not assignable by the Employee. The obligations of the Company hereunder are personal to the Employee or where applicable to his spouse or estate, and shall be continued only so long as the Employee shall be personally discharging his duties hereunder. The Company may assign its rights, together with its obligations, to any corporation which is a direct or indirect wholly-owned subsidiary of the Company; provided, however, that the Company shall not be released from its obligations hereunder without the prior written consent of the Employee, which consent shall not be unreasonably withheld.

13. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE REGARDLESS OF THE LAWS THAT MIGHT BE APPLICABLE UNDER PRINCIPLES OF CONFLICTS OF LAW.

14. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

15. Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

16. Entire Agreement. This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and preliminary agreements. No subsequent modifications may be made to this Agreement except by signed writing of the parties.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

Witness: /s/ Amy L. Coloutti

/s/ Jerry S. Cifor

Jerry S. Cifor

CASELLA WASTE SYSTEMS, INC.

By: /s/ John W. Casella

Name: John W. Casella
Title: President & CEO

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, dated as of December 8, 1999 (the "Agreement"), is made by and between Casella Waste Systems, Inc., a Delaware corporation (the "Company"), and Martin J. Sergi, a resident of Denville, New Jersey (the "Employee").

WHEREAS, the Company is in the business of solid waste services and related businesses; and

WHEREAS, the Company and the Employee are mutually desirous that the Company employ the Employee, and the Employee accept employment, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, the Company and the Employee hereby agree as follows:

1. Duties.

1.1 During the Agreement Term (as defined below), the Employee shall be Executive Vice President - Business Development and Director (or such other and comparable titles and positions as shall be given the Employee by the Board of Directors (the "Board") of the Company) and shall faithfully perform for the Company the duties of said office. The Company shall use its best efforts to cause the Employee to be nominated and elected to the Board and the board of directors of any successors to the Company for the duration of the Agreement Term (as defined below). The Employee shall have such corporate power and authority as are necessary to perform the duties of such office and any other office(s) that are so assigned to him. The Employee shall report directly to the Chief Executive Officer of the Company. The Employee shall devote substantially all of his business time and effort to the performance of his duties hereunder, shall use his best efforts to advance the best interests of the Company and shall not engage in outside business activities which materially interfere with the performance of his duties hereunder; provided, however, that, subject to Section 6 below, nothing in this Agreement shall preclude the Employee from devoting reasonable periods required for participating in his family business ventures or in other professional, educational, philanthropic, public interest, charitable, social or community activities, including without limitation his participation in business activities with respect to the Mall at the Galaxy, Inc., of which the Employee is a principal stockholder (provided that such activities do not materially interfere with the performance of his duties hereunder).

1.2 The duties to be performed by the Employee hereunder shall be performed primarily in Guttenberg, New Jersey, subject to reasonable travel requirements on behalf of the Company. The Company shall not relocate the Employee outside of Guttenberg, New Jersey, without his prior written consent.

2. Term. The Company hereby employs the Employee, and the Employee hereby accepts such employment, for an initial term commencing as of the date hereof and ending on the third anniversary of such date, unless sooner terminated in accordance with the provisions of Section 4 (said initial three-year term, unless sooner terminated in accordance with the provisions of

Section 4, being hereinafter referred to as the "Initial Term"). The term of this Agreement shall be automatically extended for an additional year at the expiration of the Initial Term or any succeeding term, unless written notice of non-extension is provided by either party to the other party 180 days prior to the expiration of the Initial Term or the succeeding term, as the case may be (said Initial Term and any succeeding terms, being hereinafter referred to as the "Agreement Term").

3. Compensation.

3.1 Base Salary. During the Agreement Term and subject to the next sentence of this Section 3.1, the Employee shall be compensated at the annual rate of \$250,000 ("Base Salary"), payable on a bi-weekly basis in accordance

with the Company's standard payroll procedures. On each anniversary of the date hereof, the Base Salary will be increased by an amount which will not be less than the product (if positive) of (i) the Base Salary in effect immediately prior to such anniversary and (ii) the percentage (if positive) by which the Consumer Price Index (All Items less shelter) for Urban Wage Earners and Clerical Workers, for the Northeast Region, published by the United States Government for the month preceding such anniversary exceeds such index for the comparable month in the preceding year.

3.2 Incentive Compensation. In addition to the Base Salary, the Employee shall be entitled to receive a bonus ("Bonus") consisting of (i) cash, (ii) stock options of the Company or (iii) a combination of both cash and stock options in an amount to be determined prior to the conclusion of each fiscal year of the Company during the Agreement Term in the sole discretion of the Compensation Committee of the Board (the "Compensation Committee").

3.3 Expenses. Upon submission of appropriate invoices or vouchers, the Company shall pay or reimburse the Employee for all reasonable expenses actually incurred or paid by him during the Agreement Term in the performance of his duties hereunder.

3.4 Participation in Benefit Plans. The Employee shall be entitled to participate in any health benefit or other employee benefit plans available to the Company's senior executives as in effect from time to time, including, without limitation, any qualified or non-qualified pension, profit sharing and savings plans, any death and disability benefit plans, any medical, dental, health and welfare plans and any stock purchase programs, on terms and conditions at least as favorable as provided to other senior executives, to the extent that he may be eligible to do so under the applicable provisions of any such plan. Following the termination of the Employee hereunder or the expiration of any Severance Benefits (as defined in Section 4.4.1) and for the lifetime of the Employee, the Employee and his eligible dependents shall be entitled to continue participating (at the Employee's sole expense) in the Company's group medical, dental, disability and life insurance coverages (to the extent the Company's plans entitle the Employee and his dependents to be so covered), with the Employee's cost to be determined on a basis consistent with the method of determining employee payments under the health care continuation requirements of the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA").

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3.5 Vacation. The Employee shall be entitled to five weeks of annual vacation and shall be subject to the Company's standard vacation policy applicable to someone of his position and seniority. Unused vacation shall not be carried over into any subsequent year during the Agreement Term. The Company shall have no obligation to pay the Employee for any unused vacation.

3.6 Fringe Benefits and Perquisites. The Employee shall be entitled to all fringe benefits and perquisites that are generally made available to senior executives of the Company from time to time and that are approved by the Compensation Committee.

4. Termination. The Employee's employment hereunder may be terminated only upon the expiration of the Agreement Term of this Agreement pursuant to Section 2 above or under the following circumstances:

4.1 Death. The Employee's employment hereunder shall terminate automatically upon his death, in which event the Company shall pay to the Employee's written designee or, if he has no written designee, to his spouse or, if he leaves no spouse and has no written designee, to his estate, (i) Severance and Acceleration Payment (as such terms are defined in Section 4.4.1 below) immediately upon death, (ii) Severance Benefits to the Employee's eligible dependents for a one-year period from the date of death and (iii) all reasonable expenses actually incurred or paid by the Employee in the performance of his duties hereunder prior to the date of death.

4.2 Disability. The Company may terminate the Employee's employment hereunder if (i) as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been absent from his duties hereunder on a full-time basis for an aggregate of 180 consecutive or non-consecutive business days in any 12 consecutive-month period and (ii) within 10 days after written notice of termination hereunder is given by the Company, the Employee shall not have returned to the performance of his duties hereunder on a full-time basis. The determination of incapacity or disability under the

preceding sentence shall be made in good faith by the Company based upon information supplied by a physician selected by the Company or its insurers and reasonably acceptable to the Employee or his legal representative. During any period that the Employee fails to perform his duties hereunder as a result of incapacity due to physical or mental illness (the "Disability Period"), the Employee shall continue to receive his full Base Salary hereunder until his employment is terminated pursuant to this Section 4.2, provided that amounts payable to the Employee shall be reduced by the sum of the amounts, if any, paid to the Employee during the Disability Period under any disability benefit plans of the Company. If the Employee is terminated pursuant to this Section 4.2 the Company shall pay to the Employee (or his legal representative) (i) Severance and Acceleration Payment (as such terms are defined in Section 4.4.1 below), (ii) Severance Benefits to the Employee for a one-year period from the date of termination due to disability and (iii) all reasonable expenses actually incurred or paid by the Employee in the performance of his duties hereunder prior to the date of termination due to disability.

4.3 Termination by the Company.

4.3.1 The Company (i) shall have "cause" to terminate the Employee's employment hereunder upon the Employee (A) being convicted of a crime involving the Company (other than

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pursuant to actions taken at the direction or with the approval of the Board), (B) being found by reasonable determination of the Company, made in good faith, to have engaged in (1) willful misconduct which has a material adverse effect on the Company, (2) willful or gross neglect which has a material adverse effect on the Company, (3) fraud, (4) misappropriation or (5) embezzlement in the performance of his duties hereunder or (C) having breached in any material respect the material terms and provisions of this Agreement and failed to cure such breach within 15 days following written notice from the Company specifying such breach and (ii) may terminate the Employee's employment on written notice given to the Employee at any time following the occurrence of any of the events described in clauses (i)(A) and (i)(B) above and on written notice given to the Employee at any time not less than 60 days following the occurrence of any of the events described in clause (i)(C) above. However, in no event shall the Employee's employment be considered to have been terminated for "cause" unless and until the Employee receives a copy of a resolution adopted by the Board finding that, in the good faith opinion of the Board, the Employee is guilty of acts or omissions constituting "cause," which resolution has been duly adopted by an affirmative vote of a majority of the Board, excluding the Employee and any individual alleged to have participated in the acts constituting "cause." Any such vote shall be taken at a meeting of the Board called and held for such purpose, after reasonable written notice is provided to the Employee setting forth in reasonable detail the facts and circumstances claimed to provide a basis of termination for "cause" and the Employee is given an opportunity, together with counsel, to be heard before the Board. In the event the Employee's employment is terminated by the Company for "cause", the Employee shall be entitled to continue to receive Base Salary accrued but unpaid and expenses incurred but not repaid to the Employee, in each case only until the effective date of such termination.

4.3.2 In the event the Employee's employment is terminated by the Company other than for "cause", the Employee shall be entitled to (i) Severance and Acceleration Payment immediately upon termination and (ii) Severance Benefits for each year during the Severance Benefits Term (as such capitalized terms are defined in Section 4.4 below).

4.4 Termination by Employee.

4.4.1 Definitions. For purposes of this Section 4.4, the following terms shall have the respective meanings set forth below:

(a) "Affiliate" means, with respect to the Company, any entity directly or indirectly controlled, controlling or under common control with the Company.

(b) "Acceleration Payment" means an amount in cash equal to the value of (i) any Base Salary accrued but unpaid prior to the date of termination, (ii) Bonus accrued but unpaid prior to the date of

termination and (iii) any vacation accrued but unused prior to the date of termination.

(c) "Change of Control" means: (i) a person, corporation, entity or group acquires, directly or indirectly, the beneficial ownership of 40% or more of the issued and outstanding stock of the Company in a single transaction or series of transactions, (ii) the Company is a party to a merger, consolidation or similar transaction and following such transaction 40% or more of the issued and outstanding securities of said party is

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beneficially owned by a person, corporation, entity or group other than the Company or an Affiliate of the Company, (iii) the Company sells or transfers all or substantially all of its assets to any other persons or persons other than an Affiliate of the Company, (iv) the shareholders of the Company approve a plan or proposal for the liquidation or dissolution of the Company or (v) during any two-year period, individuals who comprise a majority of the Board at the beginning of such two-year period do not comprise a majority of the Board at the end of such two-year period (such Board composition being referred to as a "Continuing Majority").

(d) "Good Reason" means: the occurrence of a (A) Change of Control, accompanied by, or followed within the twelve-month period after a Change in Control by: (B) (i) the assignment to the Employee of any duties inconsistent with his status as Executive Vice President-Business Development and Director or which require travel significantly more time-consuming than that required at commencement of this Agreement or, (ii) a material adverse alteration in the nature or status of his responsibilities from those provided herein or the transfer of a significant portion of such responsibilities to one or more other persons, or (iii) a material diminution in the Employee's compensation.

(e) "Qualified Good Reason" means the occurrence of one of the events under clause (B)(i), (ii) or (iii) of the definition of Good Reason.

(f) "Severance" means three times the sum of (i) the highest Base Salary that was paid to the Employee at any time prior to termination by the Employee for Good Reason or prior to when the Employee's employment is terminated by the Company other than for "cause" and (ii) the higher of (A) the most recent Bonus paid to the Employee prior to termination by the Employee for Good Reason or prior to when the Employee's employment is terminated by the Company other than for "cause" or (B) 50% of the Employee's Base Salary immediately prior to such termination.

(g) "Severance Benefits" means the benefits contemplated by Section 3.4 of this Agreement.

(h) "Severance Benefits Term" means three years from the date Employee elects to terminate his employment for Good Reason, or the Employee's employment is terminated by the Company other than for "cause."

4.4.2 At the election of the Employee for Good Reason or Qualified Good Reason, the Employee may terminate his employment immediately upon written notice to the Company; provided, however, that Employee must make such election to terminate his employment for Good Reason or Qualified Good Reason within 90 days of the occurrence of such event that qualifies as Good Reason or Qualified Good Reason under Section 4.4.1(d) of this Agreement. If during the Agreement Term the Employee's employment is terminated by the Employee for Good Reason, the Employee shall be entitled to receive from the Company (i) Severance and the Acceleration Payment immediately upon termination, (ii) Severance Benefits for each year during the Severance Benefits Term and (iii) a cash payment in an amount equal to the amount of any excise tax imposed on Employee under Section 4999 of the Internal Revenue Code of

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1986, as amended ("Section 4999"), increased by the additional federal and state income taxes on such amount, such that, after payment of this additional cash payment, the Employee's Severance, Acceleration Payment and Severance Benefits after federal and state income taxes are equal to the amount that the Employee would have received but for the imposition of the excise tax under Section 4999. If during the Agreement Term the Employee's employment is terminated by the Employee for Qualified Good Reason, the Employee shall be entitled to receive only an amount equal to his Base Salary through the remainder of the Agreement Term, payable on a bi-weekly basis, together with expenses incurred but not repaid to the Employee prior to such termination.

4.4.3 Upon 90 days' prior written notice, the Employee may terminate his employment with the Company other than for Good Reason. If the Employee voluntarily terminates his employment with the Company other than for Good Reason, no further payment shall be due the Employee pursuant to Section 3 above (other than payments for accrued and unpaid Base Salary and expenses incurred but not repaid to the Employee, in each case prior to such termination).

4.5 Effect of Termination on Certain Obligations. No termination of the employment of the Employee, whether voluntary or involuntary, shall terminate, affect or impair any of the obligations or rights of the parties set forth in Sections 4, 5, 6, 7 and 8 of this Agreement, all of which obligations and rights shall survive any termination of employment of the Employee hereunder.

5. Covenant Not to Disclose Confidential Information. The Employee acknowledges that during the course of his affiliation with the Company he has or will have access to and knowledge of certain information and data which the Company considers confidential and the release of such information or data to unauthorized persons would be extremely detrimental to the Company. As a consequence, the Employee hereby agrees and acknowledges that he owes a duty to the Company not to disclose, and agrees that without the prior written consent of the Company, at any time, either during or after his employment with the Company, he will not communicate, publish or disclose, to any person anywhere, or use, any Confidential Information (as hereinafter defined), except as may be necessary or appropriate to conduct his duties hereunder, provided the Employee is acting in good faith and in the best interest of the Company. The Employee will use his best efforts at all times to hold in confidence and to safeguard any Confidential Information from falling into the hands of any unauthorized person and, in particular, will not permit any Confidential Information to be read, duplicated or copied. The Employee will return to the Company all Confidential Information in the Employee's possession or under the Employee's control when the duties of the Employee no longer require the Employee's possession thereof, or whenever the Company shall so request, and in any event will promptly return all such Confidential Information if the Employee's relationship with the Company is terminated for any or no reason and will not retain any copies thereof. For purposes hereof, the term "Confidential Information" shall mean any information or data used by or belonging or relating to the Company that is not known generally to the industry in which the Company is or may be engaged, including without limitation, any and all trade secrets, proprietary data and information relating to the Company's business and products, price list, customer lists, processes, procedures or standards, know-how, manuals, business strategies, records, drawings, specifications, designs, financial information, whether or not reduced to

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writing, or information or data which the Company advises the Employee should be treated as confidential information.

6. Covenant Not to Compete. The Employee acknowledges that he, at the expense of the Company, has been and will be specially trained in the business of the Company, has established and will continue to establish favorable relations with the customers, clients and accounts of the Company and will have access to trade secrets of the Company. Therefore, in consideration of such training and relations and to further protect trade secrets, directly or indirectly, of the Company, the Employee agrees that during the term of his employment by the Company and for a period of two (2) years from and after the voluntary or involuntary termination of such employment for any or no reason, he will not, directly or indirectly, without the express written consent of the Company:

(a) own or have any interest in or act as an officer, director, partner, principal, employee, agent, representative, consultant or

independent contractor of, or in any way assist in, any business located in or doing business in the United States of America or Canada in any area within 300 miles of any facility of the Company during the term of the Employee's employment by the Company which is engaged, directly or indirectly, in (i) the solid waste processing business, (ii) the utilization of recyclable materials business or (iii) any other business the Company is engaged in or proposes to engage in on the date this Agreement is terminated (the businesses described in clauses (a)(i), (ii) and (iii) are collectively referred to as the "Competitive Businesses"); provided, however, that notwithstanding the above, the Employee may own, directly or indirectly, solely as an investment, securities of any such person which are traded on any national securities exchange or NASDAQ if the Employee (A) is not a controlling person of, or a member of a group which controls, such person and (B) does not, directly or indirectly, own 5% or more of any class of securities of such person;

(b) solicit clients, customers (who are or were customers of the Company within the twelve (12) months prior to termination) or accounts of the Company for, on behalf of or otherwise related to any such Competitive Businesses or any products related thereto; or

(c) solicit, employ or in any manner influence or encourage any person who is or shall be in the employ or service of the Company to leave such employ or service.

Notwithstanding the foregoing, the terms of this covenant not to compete shall be enforceable against Employee only to the extent that during Employee's employment the Company continues to pay Employee compensation equal to the salary level set forth in Section 3.1 of this Agreement and after termination of Employee's employment the Company continues to pay Employee (i) his Base Salary, in the case of termination pursuant to Section 4.4.3, and (ii) any and all termination payments and benefits as required under Section 4 of this Agreement. Furthermore, if any court determines that the covenant not to compete, or any part thereof, is unenforceable because of the duration of such provision or the geographic area or scope covered thereby, such court shall have the power to reduce the duration, area or scope of such provisions and, in its reduced form, such provision shall then be enforceable and shall be enforced.

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7. Specific Performance. Recognizing that irreparable damage will result to the Company in the event of the breach or threatened breach of any of the foregoing covenants and assurance by the Employee contained in Sections 5 or 6 hereof, and that the Company's remedies at law for any such breach or threatened breach will be inadequate, the Company and its successors and assigns, in addition to such other remedies which may be available to them, shall be entitled to an injunction, including a mandatory injunction, to be issued by any court of competent jurisdiction ordering compliance with this Agreement or enjoining and restraining the Employee, and each and every person, firm or company acting in concert or participation with him, from the continuation of such breach.

8. Potential Unenforceability of Any Provision. The Employee acknowledges and agrees that he has had an opportunity to seek advice of counsel in connection with this Agreement. If a final judicial determination is made that any provision of this Agreement is an unenforceable restriction against the Employee, the provisions hereof shall be rendered void only to the extent that such judicial determination finds such provisions unenforceable, and such unenforceable provisions shall automatically be reconstituted and become a part of this Agreement, effective as of the date first written above, to the maximum extent in favor of the Company that is lawfully enforceable. A judicial determination that any provision of this Agreement is unenforceable shall in no instance render the entire Agreement unenforceable, but rather the Agreement will continue in full force and effect absent any unenforceable provision to the maximum extent permitted by law.

9. Indemnification. To the fullest extent permitted or required by the laws of the State of Delaware, the Company shall indemnify and hold harmless (including the advance payment of expenses) the Employee, in accordance with the terms of such laws, if the Employee is made a party, or threatened to be made a party, to any threatened, pending, or contemplated suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that the Employee is or was an officer or director of the Company or any subsidiary or

affiliate of the Company, against expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any such action, suit or proceeding. The Company's obligations under this paragraph will survive the termination of this Agreement for any reason whatsoever.

10. Notice. Any notice or other communication hereunder shall be in writing and shall be mailed or delivered to the respective parties hereto as follows:

(a) If to the Company:

Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, VT 05702
Attention: Chief Executive Officer and Chairman
of the Board of Directors

(b) If to the Employee:

Martin J. Sergi
17 North Ridge Road
Denville, New Jersey 07834

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The addresses of either party hereto above may be changed by written notice to the other party.

11. Amendment; Waiver. This Agreement may be amended, modified, superseded, cancelled, renewed or extended and the terms of covenants hereof may be waived, only by written instrument executed by the party against whom such modification or waiver is sought to be enforced. The failure of either party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by either party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant in this Agreement.

12. Benefit and Binding Effect. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company, but shall be personal to and not assignable by the Employee. The obligations of the Company hereunder are personal to the Employee or where applicable to his spouse or estate, and shall be continued only so long as the Employee shall be personally discharging his duties hereunder. The Company may assign its rights, together with its obligations, to any corporation which is a direct or indirect wholly-owned subsidiary of the Company; provided, however, that the Company shall not be released from its obligations hereunder without the prior written consent of the Employee, which consent shall not be unreasonably withheld.

13. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE REGARDLESS OF THE LAWS THAT MIGHT BE APPLICABLE UNDER PRINCIPLES OF CONFLICTS OF LAW.

14. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

15. Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

16. Entire Agreement. This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and preliminary agreements. No subsequent modifications may be made to this Agreement except by signed writing of the parties. Without limiting the generality of the foregoing, any employment agreement or other arrangement between the Employee and KTI, Inc. or any subsidiary or other affiliate thereof is hereby terminated and no party thereto shall have any further obligation on account thereof.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

Witness: /s/ R.E. Wetzel

/s/ Martin J. Sergi

Martin J. Sergi

CASELLA WASTE SYSTEMS, INC.

By: /s/ John W. Casella

Name: John W. Casella
Title: President & CEO

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, dated as of December 8, 1999 (the "Agreement"), is made by and between Casella Waste Systems, Inc., a Delaware corporation (the "Company"), and Ross Pirasteh, a resident of New York, New York (the "Employee").

WHEREAS, the Company is in the business of solid waste services and related businesses; and

WHEREAS, the Company and the Employee are mutually desirous that the Company employ the Employee, and the Employee accept employment, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, the Company and the Employee hereby agree as follows:

1. Duties.

1.1 During the Agreement Term (as defined below), the Employee shall be Chairman of the Board of Directors and Director (or such other and comparable titles and positions as shall be given the Employee by the Board of Directors (the "Board") of the Company) and shall faithfully perform for the Company the duties of said office. The Company shall use its best efforts to cause the Employee to be nominated and elected to the Board and the board of directors of any successors to the Company for the duration of the Agreement Term (as defined below). The Employee shall have such corporate power and authority as are necessary to perform the duties of such office and any other office(s) that are so assigned to him. The Employee shall report directly to the Board of Directors of the Company. The Employee shall devote substantially all of his business time and effort to the performance of his duties hereunder, shall use his best efforts to advance the best interests of the Company and shall not engage in outside business activities which materially interfere with the performance of his duties hereunder; provided, however, that, subject to Section 6 below, nothing in this Agreement shall preclude the Employee from devoting reasonable periods required for participating in his family business ventures or in other professional, educational, philanthropic, public interest, charitable, social or community activities.

1.2 The duties to be performed by the Employee hereunder shall be performed primarily in New York, New York, subject to reasonable travel requirements on behalf of the Company. The Company shall not relocate the Employee outside of New York, New York, without his prior written consent.

2. Term. The Company hereby employs the Employee, and the Employee hereby accepts such employment, for an initial term commencing as of the date hereof and ending on the third anniversary of such date, unless sooner terminated in accordance with the provisions of Section 4 (said initial three-year term, unless sooner terminated in accordance with the provisions of Section 4, being hereinafter referred to as the "Initial Term"). The term of this Agreement shall be automatically extended for an additional year at the expiration of the Initial

Term or any succeeding term, unless written notice of non-extension is provided by either party to the other party 180 days prior to the expiration of the Initial Term or the succeeding term, as the case may be (said Initial Term and any succeeding terms, being hereinafter referred to as the "Agreement Term").

3. Compensation.

3.1 Base Salary. During the Agreement Term and subject to the next sentence of this Section 3.1, the Employee shall be compensated at the annual rate of \$250,000 ("Base Salary"), payable on a bi-weekly basis in accordance with the Company's standard payroll procedures. On each anniversary of the date hereof, the Base Salary will be increased by an amount which will not be less than the product (if positive) of (i) the Base Salary in effect immediately prior to such anniversary and (ii) the percentage (if positive) by which the

Consumer Price Index (All Items less shelter) for Urban Wage Earners and Clerical Workers, for the Northeast Region, published by the United States Government for the month preceding such anniversary exceeds such index for the comparable month in the preceding year.

3.2 Incentive Compensation. In addition to the Base Salary, the Employee shall be entitled to receive a bonus ("Bonus") consisting of (i) cash, (ii) stock options of the Company or (iii) a combination of both cash and stock options in an amount to be determined prior to the conclusion of each fiscal year of the Company during the Agreement Term in the sole discretion of the Compensation Committee of the Board (the "Compensation Committee").

3.3 Expenses. Upon submission of appropriate invoices or vouchers, the Company shall pay or reimburse the Employee for all reasonable expenses actually incurred or paid by him during the Agreement Term in the performance of his duties hereunder.

3.4 Participation in Benefit Plans. The Employee shall be entitled to participate in any health benefit or other employee benefit plans available to the Company's senior executives as in effect from time to time, including, without limitation, any qualified or non-qualified pension, profit sharing and savings plans, any death and disability benefit plans, any medical, dental, health and welfare plans and any stock purchase programs, on terms and conditions at least as favorable as provided to other senior executives, to the extent that he may be eligible to do so under the applicable provisions of any such plan. Following the termination of the Employee hereunder or the expiration of any Severance Benefits (as defined in Section 4.4.1) and for the lifetime of the Employee, the Employee and his eligible dependents shall be entitled to continue participating (at the Employee's sole expense) in the Company's group medical, dental, disability and life insurance coverages (to the extent the Company's plans entitle the Employee and his dependents to be so covered), with the Employee's cost to be determined on a basis consistent with the method of determining employee payments under the health care continuation requirements of the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA").

3.5 Vacation. The Employee shall be entitled to five weeks of annual vacation and shall be subject to the Company's standard vacation policy applicable to someone of his position and seniority. Unused vacation shall not be carried over into any subsequent year during the

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Agreement Term. The Company shall have no obligation to pay the Employee for any unused vacation.

3.6 Fringe Benefits and Perquisites. The Employee shall be entitled to all fringe benefits and perquisites that are generally made available to senior executives of the Company from time to time and that are approved by the Compensation Committee.

3.7 Allowance for Office Space. The Company will pay the Employee an aggregate of \$_____ per month during the Agreement Term to cover the Employee's office expenses in New York, New York.

4. Termination. The Employee's employment hereunder may be terminated only upon the expiration of the Agreement Term of this Agreement pursuant to Section 2 above or under the following circumstances:

4.1 Death. The Employee's employment hereunder shall terminate automatically upon his death, in which event the Company shall pay to the Employee's written designee or, if he has no written designee, to his spouse or, if he leaves no spouse and has no written designee, to his estate, (i) Severance and Acceleration Payment (as such terms are defined in Section 4.4.1 below) immediately upon death, (ii) Severance Benefits to the Employee's eligible dependents for a one-year period from the date of death and (iii) all reasonable expenses actually incurred or paid by the Employee in the performance of his duties hereunder prior to the date of death.

4.2 Disability. The Company may terminate the Employee's employment hereunder if (i) as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been absent from his duties hereunder on a full-time basis for an aggregate of 180 consecutive or non-consecutive business days in any 12 consecutive-month period and (ii) within 10 days after written notice of termination hereunder is given by the Company, the Employee

shall not have returned to the performance of his duties hereunder on a full-time basis. The determination of incapacity or disability under the preceding sentence shall be made in good faith by the Company based upon information supplied by a physician selected by the Company or its insurers and reasonably acceptable to the Employee or his legal representative. During any period that the Employee fails to perform his duties hereunder as a result of incapacity due to physical or mental illness (the "Disability Period"), the Employee shall continue to receive his full Base Salary hereunder until his employment is terminated pursuant to this Section 4.2, provided that amounts payable to the Employee shall be reduced by the sum of the amounts, if any, paid to the Employee during the Disability Period under any disability benefit plans of the Company. If the Employee is terminated pursuant to this Section 4.2 the Company shall pay to the Employee (or his legal representative) (i) Severance and Acceleration Payment (as such terms are defined in Section 4.4.1 below), (ii) Severance Benefits to the Employee for a one-year period from the date of termination due to disability and (iii) all reasonable expenses actually incurred or paid by the Employee in the performance of his duties hereunder prior to the date of termination due to disability.

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4.3 Termination by the Company.

4.3.1 The Company (i) shall have "cause" to terminate the Employee's employment hereunder upon the Employee (A) being convicted of a crime involving the Company (other than pursuant to actions taken at the direction or with the approval of the Board), (B) being found by reasonable determination of the Company, made in good faith, to have engaged in (1) willful misconduct which has a material adverse effect on the Company, (2) willful or gross neglect which has a material adverse effect on the Company, (3) fraud, (4) misappropriation or (5) embezzlement in the performance of his duties hereunder or (C) having breached in any material respect the material terms and provisions of this Agreement and failed to cure such breach within 15 days following written notice from the Company specifying such breach and (ii) may terminate the Employee's employment on written notice given to the Employee at any time following the occurrence of any of the events described in clauses (i) (A) and (i) (B) above and on written notice given to the Employee at any time not less than 60 days following the occurrence of any of the events described in clause (i) (C) above. However, in no event shall the Employee's employment be considered to have been terminated for "cause" unless and until the Employee receives a copy of a resolution adopted by the Board finding that, in the good faith opinion of the Board, the Employee is guilty of acts or omissions constituting "cause," which resolution has been duly adopted by an affirmative vote of a majority of the Board, excluding the Employee and any individual alleged to have participated in the acts constituting "cause." Any such vote shall be taken at a meeting of the Board called and held for such purpose, after reasonable written notice is provided to the Employee setting forth in reasonable detail the facts and circumstances claimed to provide a basis of termination for "cause" and the Employee is given an opportunity, together with counsel, to be heard before the Board. In the event the Employee's employment is terminated by the Company for "cause", the Employee shall be entitled to continue to receive Base Salary accrued but unpaid and expenses incurred but not repaid to the Employee, in each case only until the effective date of such termination.

4.3.2 In the event the Employee's employment is terminated by the Company other than for "cause", the Employee shall be entitled to (i) Severance and Acceleration Payment immediately upon termination and (ii) Severance Benefits for each year during the Severance Benefits Term (as such capitalized terms are defined in Section 4.4 below).

4.4 Termination by Employee.

4.4.1 Definitions. For purposes of this Section 4.4, the following terms shall have the respective meanings set forth below:

(a) "Affiliate" means, with respect to the Company, any entity directly or indirectly controlled, controlling or under common control with the Company.

(b) "Acceleration Payment" means an amount in cash equal to the value of (i) any Base Salary accrued but unpaid prior to the date of termination, (ii) Bonus accrued but unpaid prior to the date of

termination and (iii) any vacation accrued but unused prior to the date of termination.

(c) "Change of Control" means: (i) a person, corporation, entity or group acquires, directly or indirectly, the beneficial ownership of 40% or more of the issued and outstanding stock of the Company in a single transaction or series of transactions, (ii) the

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Company is a party to a merger, consolidation or similar transaction and following such transaction 40% or more of the issued and outstanding securities of said party is beneficially owned by a person, corporation, entity or group other than the Company or an Affiliate of the Company, (iii) the Company sells or transfers all or substantially all of its assets to any other persons or persons other than an Affiliate of the Company, (iv) the shareholders of the Company approve a plan or proposal for the liquidation or dissolution of the Company or (v) during any two-year period, individuals who comprise a majority of the Board at the beginning of such two-year period do not comprise a majority of the Board at the end of such two-year period (such Board composition being referred to as a "Continuing Majority").

(d) "Good Reason" means: the occurrence of (A) a Change of Control, accompanied by, or followed within the twelve-month period after a Change in Control by: (B) (i) the assignment to the Employee of any duties inconsistent with his status as Chairman of the Board of Directors and Director or which require travel significantly more time-consuming than that required at commencement of this Agreement or, (ii) a material adverse alteration in the nature or status of his responsibilities from those provided herein or the transfer of a significant portion of such responsibilities to one or more other persons, or (iii) a material diminution in the Employee's compensation.

(e) "Qualified Good Reason" means the occurrence of one of the events under clause (B) (i), (ii) or (iii) of the definition of Good Reason.

(f) "Severance" means three times the sum of (i) the highest Base Salary that was paid to the Employee at any time prior to termination by the Employee for Good Reason or prior to when the Employee's employment is terminated by the Company other than for "cause" and (ii) the higher of (A) the most recent Bonus paid to the Employee prior to termination by the Employee for Good Reason or prior to when the Employee's employment is terminated by the Company other than for "cause" or (B) 50% of the Employee's Base Salary immediately prior to such termination.

(g) "Severance Benefits" means the benefits contemplated by Section 3.4 of this Agreement.

(h) "Severance Benefits Term" means three years from the date Employee elects to terminate his employment for Good Reason, or the Employee's employment is terminated by the Company other than for "cause."

4.4.2 At the election of the Employee for Good Reason, or Qualified Good Reason the Employee may terminate his employment immediately upon written notice to the Company; provided, however, that Employee must make such election to terminate his employment for Good Reason or Qualified Good Reason within 90 days of the occurrence of such event that qualifies as Good Reason or Qualified Good Reason under Section 4.4.1(d) of this Agreement. If during the Agreement Term the Employee's employment is terminated by the Employee for Good Reason, the Employee shall be entitled to receive from the Company (i) Severance and the Acceleration Payment immediately upon termination, (ii) Severance Benefits for each year during the Severance Benefits Term and (iii) a cash payment in an amount equal to the amount

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of any excise tax imposed on Employee under Section 4999 of the Internal Revenue Code of 1986, as amended ("Section 4999"), increased by the additional federal and state income taxes on such amount, such that, after payment of this

additional cash payment, the Employee's Severance, Acceleration Payment and Severance Benefits after federal and state income taxes are equal to the amount that the Employee would have received but for the imposition of the excise tax under Section 4999. If during the Agreement Term the Employee's employment is terminated by the Employee for Qualified Good Reason, the Employee shall be entitled to receive only an amount equal to his Base Salary through the remainder of the Agreement Term, payable on a bi-weekly basis, together with expenses incurred but not repaid to the Employee prior to such termination.

4.4.3 Upon 90 days' prior written notice, the Employee may terminate his employment with the Company other than for Good Reason. If the Employee voluntarily terminates his employment with the Company other than for Good Reason, no further payment shall be due the Employee pursuant to Section 3 above (other than payments for accrued and unpaid Base Salary and expenses incurred but not repaid to the Employee, in each case prior to such termination).

4.5 Effect of Termination on Certain Obligations. No termination of the employment of the Employee, whether voluntary or involuntary, shall terminate, affect or impair any of the obligations or rights of the parties set forth in Sections 4, 5, 6, 7 and 8 of this Agreement, all of which obligations and rights shall survive any termination of employment of the Employee hereunder.

5. Covenant Not to Disclose Confidential Information. The Employee acknowledges that during the course of his affiliation with the Company he has or will have access to and knowledge of certain information and data which the Company considers confidential and the release of such information or data to unauthorized persons would be extremely detrimental to the Company. As a consequence, the Employee hereby agrees and acknowledges that he owes a duty to the Company not to disclose, and agrees that without the prior written consent of the Company, at any time, either during or after his employment with the Company, he will not communicate, publish or disclose, to any person anywhere, or use, any Confidential Information (as hereinafter defined), except as may be necessary or appropriate to conduct his duties hereunder, provided the Employee is acting in good faith and in the best interest of the Company. The Employee will use his best efforts at all times to hold in confidence and to safeguard any Confidential Information from falling into the hands of any unauthorized person and, in particular, will not permit any Confidential Information to be read, duplicated or copied. The Employee will return to the Company all Confidential Information in the Employee's possession or under the Employee's control when the duties of the Employee no longer require the Employee's possession thereof, or whenever the Company shall so request, and in any event will promptly return all such Confidential Information if the Employee's relationship with the Company is terminated for any or no reason and will not retain any copies thereof. For purposes hereof, the term "Confidential Information" shall mean any information or data used by or belonging or relating to the Company that is not known generally to the industry in which the Company is or may be engaged, including without limitation, any and all trade secrets, proprietary data and information relating to the Company's business and products, price list, customer lists, processes, procedures or standards, know-how, manuals, business strategies, records, drawings, specifications, designs, financial information, whether or not reduced to

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writing, or information or data which the Company advises the Employee should be treated as confidential information.

6. Covenant Not to Compete. The Employee acknowledges that he, at the expense of the Company, has been and will be specially trained in the business of the Company, has established and will continue to establish favorable relations with the customers, clients and accounts of the Company and will have access to trade secrets of the Company. Therefore, in consideration of such training and relations and to further protect trade secrets, directly or indirectly, of the Company, the Employee agrees that during the term of his employment by the Company and for a period of two (2) years from and after the voluntary or involuntary termination of such employment for any or no reason, he will not, directly or indirectly, without the express written consent of the Company:

(a) own or have any interest in or act as an officer, director, partner, principal, employee, agent, representative, consultant or independent contractor of, or in any way assist in, any business located in or doing business in the United States of America or Canada

in any area within 300 miles of any facility of the Company during the term of the Employee's employment by the Company which is engaged, directly or indirectly, in (i) the solid waste processing business, (ii) the utilization of recyclable materials business or (iii) any other business the Company is engaged in or proposes to engage in on the date this Agreement is terminated (the businesses described in clauses (a) (i), (ii) and (iii) are collectively referred to as the "Competitive Businesses"); provided, however, that notwithstanding the above, the Employee may own, directly or indirectly, solely as an investment, securities of any such person which are traded on any national securities exchange or NASDAQ if the Employee (A) is not a controlling person of, or a member of a group which controls, such person and (B) does not, directly or indirectly, own 5% or more of any class of securities of such person;

(b) solicit clients, customers (who are or were customers of the Company within the twelve (12) months prior to termination) or accounts of the Company for, on behalf of or otherwise related to any such Competitive Businesses or any products related thereto; or

(c) solicit, employ or in any manner influence or encourage any person who is or shall be in the employ or service of the Company to leave such employ or service.

Notwithstanding the foregoing, the terms of this covenant not to compete shall be enforceable against Employee only to the extent that during Employee's employment the Company continues to pay Employee compensation equal to the salary level set forth in Section 3.1 of this Agreement and after termination of Employee's employment the Company continues to pay Employee (i) his Base Salary, in the case of termination pursuant to Section 4.4.3, and (ii) any and all termination payments and benefits as required under Section 4 of this Agreement. Furthermore, if any court determines that the covenant not to compete, or any part thereof, is unenforceable because of the duration of such provision or the geographic area or scope covered thereby, such court shall have the power to reduce the duration, area or scope of such provisions and, in its reduced form, such provision shall then be enforceable and shall be enforced.

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7. Specific Performance. Recognizing that irreparable damage will result to the Company in the event of the breach or threatened breach of any of the foregoing covenants and assurance by the Employee contained in Sections 5 or 6 hereof, and that the Company's remedies at law for any such breach or threatened breach will be inadequate, the Company and its successors and assigns, in addition to such other remedies which may be available to them, shall be entitled to an injunction, including a mandatory injunction, to be issued by any court of competent jurisdiction ordering compliance with this Agreement or enjoining and restraining the Employee, and each and every person, firm or company acting in concert or participation with him, from the continuation of such breach.

8. Potential Unenforceability of Any Provision. The Employee acknowledges and agrees that he has had an opportunity to seek advice of counsel in connection with this Agreement. If a final judicial determination is made that any provision of this Agreement is an unenforceable restriction against the Employee, the provisions hereof shall be rendered void only to the extent that such judicial determination finds such provisions unenforceable, and such unenforceable provisions shall automatically be reconstituted and become a part of this Agreement, effective as of the date first written above, to the maximum extent in favor of the Company that is lawfully enforceable. A judicial determination that any provision of this Agreement is unenforceable shall in no instance render the entire Agreement unenforceable, but rather the Agreement will continue in full force and effect absent any unenforceable provision to the maximum extent permitted by law.

9. Indemnification. To the fullest extent permitted or required by the laws of the State of Delaware, the Company shall indemnify and hold harmless (including the advance payment of expenses) the Employee, in accordance with the terms of such laws, if the Employee is made a party, or threatened to be made a party, to any threatened, pending, or contemplated suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that the Employee is or was an officer or director of the Company or any subsidiary or affiliate of the Company, against expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably

incurred by him in connection with any such action, suit or proceeding. The Company's obligations under this paragraph will survive the termination of this Agreement for any reason whatsoever.

10. Notice. Any notice or other communication hereunder shall be in writing and shall be mailed or delivered to the respective parties hereto as follows:

(a) If to the Company:

Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, VT 05702
Attention: Chief Executive Officer

(b) If to the Employee:

Ross Pirasteh
130 East 65th Street
New York, New York 10021

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The addresses of either party hereto above may be changed by written notice to the other party.

11. Amendment; Waiver. This Agreement may be amended, modified, superseded, cancelled, renewed or extended and the terms of covenants hereof may be waived, only by written instrument executed by the party against whom such modification or waiver is sought to be enforced. The failure of either party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by either party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant in this Agreement.

12. Benefit and Binding Effect. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company, but shall be personal to and not assignable by the Employee. The obligations of the Company hereunder are personal to the Employee or where applicable to his spouse or estate, and shall be continued only so long as the Employee shall be personally discharging his duties hereunder. The Company may assign its rights, together with its obligations, to any corporation which is a direct or indirect wholly-owned subsidiary of the Company; provided, however, that the Company shall not be released from its obligations hereunder without the prior written consent of the Employee, which consent shall not be unreasonably withheld.

13. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE REGARDLESS OF THE LAWS THAT MIGHT BE APPLICABLE UNDER PRINCIPLES OF CONFLICTS OF LAW.

14. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

15. Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

16. Entire Agreement. This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and preliminary agreements. No subsequent modifications may be made to this Agreement except by signed writing of the parties. Without limiting the generality of the foregoing, any employment agreement or other arrangement between the Employee and KTI, Inc. or any subsidiary or other affiliate thereof is hereby terminated and no party thereto shall have any further obligation on account thereof.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

Witness: Illegible

/s/ Ross Pirasteh

Ross Pirasteh

CASELLA WASTE SYSTEMS, INC.

By: /s/ John W. Casella

Name: John W. Casella
Title: President & CEO

SUBSIDIARIES OF THE REGISTRANT

EXHIBIT 21

Name	Jurisdiction of Incorporation
1316991 Ontario, Inc.	Ontario
Advanced Enterprises Recycling, Inc.	New Jersey
AFA Pallet Co., Inc.	New Jersey
Agro Products, Inc.	New Jersey
All Cycle Waste, Inc.	Vermont
Allied Equipt. & Sales Corp., Inc.	New Jersey
Alternate Energy, Inc.	Massachusetts
American Ash Recycling of Tennessee, Ltd.	Florida
American Supplies Sales Group, Inc.	New Jersey
ARTiC, Inc.	New Jersey
Atlantic Coast Fibers, Inc.	Delaware
Atlantic Transportation Technologies, Inc.	New Jersey
B. and C. Sanitation Corporation	New York
BBC LLC	New York
Better Bedding Corp.	New York
Blasdell Development Group, Inc.	New York
Bristol Waste Management, Inc.	Vermont
Casella Insurance Company	Vermont
Casella T.I.R.E.S., Inc.	Maine
Casella Transportation, Inc.	Vermont
Casella Waste Management, Inc.	Vermont
Casella Waste Management of Massachusetts, Inc.	Massachusetts
Casella Waste Management of N.Y., Inc.	New York
Casella Waste Management of Pennsylvania, Inc.	Pennsylvania
Corning Community Disposal Service, Inc.	New York
Data Destruction Services, Inc.	Maine
Fairfield County Recycling, Inc.	Delaware
FCR Camden, Inc.	Delaware
FCR Florida, Inc.	Delaware
FCR Georgia, Inc.	Delaware
FCR Greensboro, Inc.	Delaware
FCR Greenville, Inc.	Delaware
FCR, Inc.	Delaware
FCR Morris, Inc.	Delaware
FCR Plastics, Inc.	Delaware
FCR Redemption, Inc.	Delaware
FCR Tennessee, Inc.	Delaware
FCR Virginia, Inc.	Delaware
Forest Acquisitions, Inc.	New Hampshire
Grasslands, Inc.	New York
Hakes C & D Disposal, Inc.	New York
Hiram Hollow Regeneration Corp.	New York
Hyland Associates	New York
K-C International, Ltd.	Oregon
KTI Bio Fuels, Inc.	Maine
KTI Energy of Martinsville, Inc.	Virginia
KTI Energy of Virginia, Inc.	Virginia
KTI Environmental Group, Inc.	New Jersey
KTI New Jersey Fibers, Inc.	Delaware
KTI Operations, Inc.	Delaware
KTI Recycling of Canada, Inc.	Ontario
KTI Recycling of Illinois, Inc.	Delaware
KTI Recycling of New Jersey, Inc.	Delaware
KTI Specialty Waste Services, Inc.	Maine
KTI Transportation Services, Inc.	Maine
KTI, Inc.	New Jersey
KTI Recycling of New England, Inc.	Maine
Maine Energy Recovery Company LP	Maine
Manner Resins, Inc.	Delaware
Maple City Refuse Corp.	New York
Mecklenburg County Recycling, Inc.	Connecticut
Natural Environmental, Inc.	New York
New England Waste Services of Massachusetts, Inc.	Massachusetts

New England Waste Services of N.Y., Inc.	New York
New England Waste Services of Vermont, Inc.	Vermont
New England Waste Services, Inc.	Vermont
Newbury Waste Management, Inc.	Vermont
North Country Environmental Services, Inc.	Virginia
North Country Trucking, Inc.	New York
North Country Composting Services, Inc.	New Hampshire
Northern Properties Corporation of Plattsburgh	New York
Northern Sanitation, Inc.	New York
NTC LLC	New York
Penobscot Energy Recovery Company LP	Maine
PERC Management Company, LP	Maine
PERC, Inc.	Delaware
Pine Tree Waste, Inc.	Maine
Portland C & D Site, Inc.	New York
Power Ship Transport, Inc.	Delaware
R.A. Bronson, Inc.	New York
Resource Recovery of Cape Cod, Inc.	Massachusetts
Resource Recovery Systems of MOSA, Inc.	New York
Resource Recovery Systems of Sarasota, Inc.	Florida
Resource Recovery Systems, Inc.	Delaware
Resource Transfer Services, Inc.	Massachusetts
Resource Waste Systems, Inc.	Massachusetts
Rochester Environmental Park, LLC	Massachusetts
Sawyer Environmental Recovery Facility, Inc.	Maine
Sawyer Environmental Services	Maine
Schultz Landfill, Inc.	New York
Sunderland Waste Management, Inc.	Vermont
The AFA Group, Inc.	New Jersey
Timber Energy Resources, Inc.	Texas
Total Waste Management Corp.	New Hampshire
U.S. Fiber, Inc.	North Carolina
Waste-Stream, Inc.	New York
Westfield Disposal Service, Inc.	New York
Winters Brothers, Inc.	Vermont

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8:

File No. 333-43539 pertaining to the 1993 Incentive Stock Option Plan of Casella Waste Systems, Inc., File No. 333-43537 pertaining to the 1994 Nonstatutory Stock Option Plan of Casella Waste Systems, Inc., File No. 333-43541 pertaining to the 1996 Stock Option Plan of Casella Waste Systems, Inc., File No. 333-43635 pertaining to the 1997 Stock Incentive Plan of Casella Waste Systems, Inc., File No. 333-40267 pertaining to the 1997 Employee Stock Purchase Plan of Casella Waste Systems, Inc., File No. 333-43543 pertaining to the 1997 Non-Employee Director Stock Option Plan of Casella Waste Systems, Inc. and File No. 333-67487 pertaining to the Amended and Restated 1997 Stock Incentive Plan of Casella Waste Systems, Inc.

Arthur Andersen LLP

/s/ Arthur Andersen LLP

Boston, Massachusetts
August 1, 2000

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE APRIL 30, 2000 CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED APRIL 30, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS AND THE FOOTNOTES THERETO.

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<EPS-DILUTED>	0.57

<ARTICLE>

5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE APRIL 30, 1999 CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED APRIL 30, 1999, AS RESTATED TO REFLECT ACQUISITIONS ACCOUNTED FOR AS POOLINGS OF INTERESTS AND THE EFFECTS OF DISCONTINUED OPERATIONS, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS AND THE FOOTNOTES THERETO.

</LEGEND>

<RESTATED>

<MULTIPLIER>

1,000

<PERIOD-TYPE>

12-MOS

<FISCAL-YEAR-END>

APR-30-1999

<PERIOD-START>

MAY-01-1998

<PERIOD-END>

APR-30-1999

<CASH>

4,232

<SECURITIES>

0

<RECEIVABLES>

24,245

<ALLOWANCES>

(1,430)

<INVENTORY>

889

<CURRENT-ASSETS>

36,294

<PP&E>

198,099

<DEPRECIATION>

67,023

<TOTAL-ASSETS>

282,129

<CURRENT-LIABILITIES>

30,177

<BONDS>

0

<PREFERRED-MANDATORY>

0

<PREFERRED>

0

<COMMON>

159

<OTHER-SE>

147,819

<TOTAL-LIABILITY-AND-EQUITY>

281,113

<SALES>

0

<TOTAL-REVENUES>

182,556

<CGS>

0

<TOTAL-COSTS>

108,874

<OTHER-EXPENSES>

54,291

<LOSS-PROVISION>

1,896

<INTEREST-EXPENSE>

5,641

<INCOME-PRETAX>

14,179

<INCOME-TAX>

7,531

<INCOME-CONTINUING>

6,648

<DISCONTINUED>

(33)

<EXTRAORDINARY>

0

<CHANGES>

0

<NET-INCOME>

6,615

<EPS-BASIC>

(0.44)

<EPS-DILUTED>

(0.41)

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<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE APRIL 30, 1998 CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED APRIL 30, 1998, AS RESTATED TO REFLECT ACQUISITIONS ACCOUNTED FOR AS POOLINGS OF INTERESTS, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS AND THE FOOTNOTES THERETO.

</LEGEND>

<RESTATED>

<MULTIPLIER> 1,000

<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	APR-30-1998
<PERIOD-START>	MAY-01-1997
<PERIOD-END>	APR-30-1998
<CASH>	3,327
<SECURITIES>	0
<RECEIVABLES>	21,767
<ALLOWANCES>	(1,283)
<INVENTORY>	633
<CURRENT-ASSETS>	28,170
<PP&E>	138,106
<DEPRECIATION>	46,655
<TOTAL-ASSETS>	205,509
<CURRENT-LIABILITIES>	23,960
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	132
<OTHER-SE>	83,632
<TOTAL-LIABILITY-AND-EQUITY>	205,509
<SALES>	0
<TOTAL-REVENUES>	143,711
<CGS>	0
<TOTAL-COSTS>	89,582
<OTHER-EXPENSES>	42,746
<LOSS-PROVISION>	992
<INTEREST-EXPENSE>	7,638
<INCOME-PRETAX>	4,347
<INCOME-TAX>	2,512
<INCOME-CONTINUING>	1,835
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	1,835
<EPS-BASIC>	(0.41)
<EPS-DILUTED>	(0.41)