

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE TO
TENDER OFFER STATEMENT UNDER SECTION 14(D)(1) OR
SECTION 13(E)(1) OF THE SECURITIES EXCHANGE ACT OF 1934

KTI, INC.
(Name of Subject Company (issuer))

KTI, INC. (issuer)
CASELLA WASTE SYSTEMS, INC. (affiliate of issuer)
(Name of Person(s) Filing Statement)

8 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004
(Title of Class of Securities)

8 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004: 482689 AA 4
(CUSIP Number of Class of Securities)

JOHN W. CASELLA
CHIEF EXECUTIVE OFFICER
CASELLA WASTE SYSTEMS, INC.
25 GREENS HILL LANE
RUTLAND, VERMONT
(802) 775-0325
(Name, Address and Telephone Number of Person Authorized to Receive Notices
and Communications on Behalf of the Person(s) Filing Statement)

COPY TO:
JEFFREY A. STEIN, ESQ.
HALE AND DORR LLP
60 STATE STREET
BOSTON, MA 02109

JANUARY 24, 2000
(Date Tender Offer First Published, Sent or Given to Security Holders)

CALCULATION OF FILING FEE

TRANSACTION VALUATION*	AMOUNT OF FILING FEE
$6,830,883	$1,366

* The transaction value shown is only for the purpose of calculating the filing fee. The amount shown reflects the cost of purchasing $6,770,000 principal amount of Notes at the purchase price (100% of the principal amount of the Notes, plus accrued and unpaid interest up to but excluding the date of payment) as of March 8, 2000 (the expected date of payment). The amount of the filing fee is calculated in accordance with Section 13(e)(3) of the Securities Exchange Act of 1934, as amended.

/ / Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:
Form or Registration No.:
Filing Party:
Date Filed:

/ / Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

/ / third-party tender offer subject to Rule 14d-1.

/X/ issuer tender offer subject to Rule 13e-4.

/ / going-private transaction subject to Rule 13e-3.

/ / amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer. / /

INTRODUCTORY STATEMENT

This Schedule TO relates to a change of control offer (the "Offer") by KTI, Inc., a New Jersey corporation (the "Company"), to purchase for cash, on the terms and subject to the conditions set forth in the attached Offer to Purchase dated January 24, 2000 (the "Offer to Purchase") and the related Letter of Transmittal (the "Letter of Transmittal"), all of the outstanding 8 3/4% Convertible Subordinated Notes due 2004 of the Company (the "Notes"). Prior to the Effective Time (as defined in the Offer to Purchase), the Notes were convertible into shares of common stock, par value $.01 per share, of the Company (the "Company Common Stock"), at a conversion price of $11.75 per share of Company Common Stock. Since the Effective Time, the Notes have been convertible into shares of Class A Common Stock of Casella Waste Systems, Inc. at a conversion price of $23.04 per share. Copies of the Offer to Purchase and the Letter of Transmittal are filed as exhibits (a)(1) and (a)(2) hereto.

ITEM 1. SUMMARY TERM SHEET

The information set forth in the section of the Offer to Purchase entitled "Summary" is incorporated herein by reference.

ITEM 2. SUBJECT COMPANY INFORMATION

(a) The name of the Company is KTI, Inc.. The address of its principal executive office is 25 Greens Hill Lane, Rutland, Vermont 05702. The Company is a wholly owned subsidiary of Casella Waste Systems, Inc., a Delaware corporation ("Casella"). Casella's principal executive office is 25 Greens Hill Lane, Rutland, Vermont 05702. The telephone number for both Casella and the Company is (802) 775-0325.

(b) The securities which are the subject of the Offer are the 8 3/4% Convertible Subordinated Notes due 2004 issued by the Company. The Notes are convertible into shares of Casella Class A Common Stock at a conversion price of $23.04 per share. As of January 20, 2000, there was $6,770,000 aggregate principal amount of Notes outstanding. The Offer is for any and all Notes, in denominations of $1,000 or integral multiples thereof, at 100% of the principal amount of the Notes, plus accrued and unpaid interest up to but excluding the date of payment.

(c) The information set forth in the section of the Offer to Purchase entitled "Market Price Information" is incorporated herein by reference.

(d) The Notes bear interest at 8 3/4% per annum. Interest has been paid in arrears on February 1, May 1, August 1 and November 1 of each year since the Notes were issued on July 31, 1998.

(e) Not applicable.

(f) In November 1998, $14,329,000 of the Notes were exchanged for 1,219,489 shares of KTI Common Stock at $11.75 per share. The conversion included a premium equal to 3.0% of the face value of the Notes and nine months forward interest at 8 3/4%, paid to the noteholders in the form of 63,910 shares of KTI common stock valued at $21.44 per share.

ITEM 3. IDENTITY AND BACKGROUND OF FILING PERSON

The Company and Casella are filing this statement. The information required by this item is set forth in item 2(a) above.

ITEM 4. TERMS OF THE TRANSACTION

The information set forth in the Offer to Purchase is incorporated herein by reference. To the best knowledge of the Company, no Notes are being purchased from any officer, director or affiliate of the Company.

ITEM 5. PAST CONTACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS

The Notes are governed by the Indenture dated as of July 31, 1998 between the Company and SunTrust Bank, Central Florida, National Association, as trustee, and by the First Supplemental Indenture dated as of December 14, 1999 between the Company and SunTrust Bank, Central Florida, National Association, as trustee.

ITEM 6. PURPOSES OF THE TRANSACTION AND PLANS OR PROPOSALS

The information set forth in the section of the Offer to Purchase entitled "Purpose and Effects of the Offer" is incorporated herein by reference.

ITEM 7. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

The information set forth in the section of the Offer to Purchase entitled "Sources and Amount of Funds" is incorporated herein by reference.

ITEM 8. INTEREST IN SECURITIES OF THE SUBJECT COMPANY

To the best knowledge of the Company and Casella, no Notes are owned by any person whose ownership would be required to be disclosed by this item. In addition, to the knowledge of the Company, none of such persons engaged in any transactions in the Notes during the 60 days preceding the date of this Schedule.

ITEM 9. PERSONS/ASSETS RETAINED, EMPLOYED, COMPENSATED OR USED

The information set forth in the section of the Offer to Purchase entitled "The Depositary" is incorporated herein by reference.

ITEM 10. FINANCIAL STATEMENT

Not applicable.

ITEM 11. ADDITIONAL INFORMATION

Not applicable.

ITEM 12. MATERIAL TO BE FILED AS EXHIBITS

(a)(1) Offer to Purchase, dated January 24, 2000.
(a)(2) Letter of Transmittal.
(a)(3) Notice of Guaranteed Delivery.
(a)(4) Letter to clients.
(a)(5) Letter to brokers, dealers, commercial banks, trust companies and other nominees.

(b) Amended and Restated Revolving Credit and Term Loan Agreement between Casella and various financial institutions named therein, dated as of December 14, 1999.

(d)(1) Indenture, dated as of July 31, 1998, between the Company, as issuer, and SunTrust Bank, Central Florida, National Association, as trustee.

(2) First Supplemental Indenture, dated as of December 14, 1999, between the Company, as issuer, and SunTrust Bank, Central Florida, National Association, as trustee.

(g) Not applicable.

(h) Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: January 24, 2000

KTI, INC.

By: /s/ JOHN W. CASELLA

John W. Casella, President

CASELLA WASTE SYSTEMS, INC.

By: /s/ JOHN W. CASELLA

John W. Casella, Chief Executive Officer

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
(a)(1)	Offer to Purchase, dated January 24, 2000
(a)(2)	Letter of Transmittal
(a)(3)	Notice of Guaranteed Delivery
(a)(4)	Letter to clients
(a)(5)	Letter to brokers, dealers, commercial banks, trust companies and other nominees
(b)	Amended and Restated Revolving Credit and Term Loan Agreement between Casella and various financial institutions named therein, dated as of December 14, 1999
(d)(1)	Indenture, dated as of July 31, 1998, between the Company, as issuer, and SunTrust Bank, Central Florida, National Association, as trustee
(d)(2)	First Supplemental Indenture, dated as of December 14, 1999, between the Company, as issuer, and SunTrust Bank, Central Florida, National Association, as trustee
(g)	Not applicable
(h)	Not applicable

EXHIBIT 99.(A)(1)

KTI, INC.
OFFER TO PURCHASE
FOR CASH ANY AND ALL OF THE OUTSTANDING
8 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004
OF KTI, INC.
AT
100% OF THE PRINCIPAL AMOUNT
OF THE NOTES

SUMMARY OF THE OFFER

The attached materials relate to an offer being made by KTI, Inc. to purchase the 8 3/4% Convertible Subordinated Notes due 2004 held by you. We are making this offer because it is required under the terms of the indenture relating to the notes. The indenture is the document which sets forth KTI's obligations with respect to the Notes.

The following is a summary of the most material terms of the offer.

- WHAT PRICE WILL YOU RECEIVE FOR YOUR NOTES IF YOU TENDER THEM TO US? We are offering to repurchase your notes for a price, in cash, equal to 100% of the principal amount of the notes plus accrued and unpaid interest up to the date of repurchase. See "Certain Offer Matters--Purpose and Effects of the Offer".

- WHAT ARE OUR REASONS FOR THE OFFER? The indenture relating to the notes requires us to offer to repurchase your notes following a change of control of KTI. A change of control took place on December 14, 1999, when KTI became a wholly-owned subsidiary of Casella Waste Systems, Inc. See "Certain Offer Matters--Purpose and Effects of the Offer".

- WHEN DOES THE OFFER EXPIRE? In order to tender your notes, you must deliver them, along with the documents described in the attached materials, on or prior to March 3, 2000, unless we extend the offer. We will make a public announcement if we choose to extend the offer. See "Certain Offer Matters--Expiration Date; Extensions; Amendments; Termination".

- WHEN WILL YOU RECEIVE PAYMENT FOR TENDERED NOTES? If we accept your tender, we will make the payment for the tendered notes on March 8, 2000 or three business days after your right to tender them expires, if the offer is extended. See "Certain Offer Matters--Acceptance for Payment."

- MAY YOU WITHDRAW YOUR TENDER? You may withdraw your decision to tender at any time prior to the close of business on March 6, 2000. If we extend the offer as described above, you may withdraw your tender at any time prior to the close of business on the business day following the date to which the offer has been extended. To withdraw your tender, you must follow the procedures described in the attached materials. See "Procedures for Tendering Notes--Withdrawal Rights".

- WHAT HAPPENS TO YOUR NOTES IF YOU DO NOT TENDER THEM? If you do not tender your notes, they will remain outstanding pursuant to their terms and will continue to accrue interest. You will continue to have the right to convert the notes into shares of Casella Class A Common Stock. The conversion price is approximately $23.04 per share. This means that every $1,000 principal amount of the notes is convertible into approximately 43.4 shares of Casella Class A Common Stock. See the introductory paragraphs of this Offer to Purchase immediately following this summary. However, because KTI is no longer subject to the reporting requirements of the Securities Exchange Act of 1934, the amount of information available as to KTI will be substantially reduced. See "Available Information".

- HOW DO YOU TENDER YOUR NOTES? To tender your notes, you must carefully follow the instructions in the attached materials. Persons holding notes through DTC will need to follow a different process than those persons who are themselves record holders of the notes. See "Procedures for Tendering Notes--Tendering Notes."

- WHO SHOULD YOU CALL IF YOU NEED MORE INFORMATION? If you have any questions regarding the attached materials, please call the trustee named

in the indenture, as follows:

SUNTRUST BANK
225 EAST ROBINSON STREET, SUITE 250
ORLANDO, FLORIDA 32801
TELECOPY: (407) 237-5299
ATTENTION: MS. LISA DERRYBERRY
TELEPHONE: (407) 237-4791

KTI, INC.

OFFER TO PURCHASE
FOR CASH ANY AND ALL OF THE OUTSTANDING
8 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004
OF KTI, INC.
AT
100% OF THE PRINCIPAL AMOUNT
OF THE NOTES

SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THIS OFFER TO PURCHASE, THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON MARCH 3, 2000, UNLESS EXTENDED (THE "EXPIRATION DATE"). NOTES TENDERED IN THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE CLOSE OF BUSINESS ON THE BUSINESS DAY FOLLOWING THE EXPIRATION DATE.

KTI, Inc. (the "Company") hereby offers (the "Offer") to purchase for cash at the Repurchase Price (as defined below), and upon the terms and subject to the conditions set forth in this Offer to Purchase (the "Offer to Purchase") and in the accompanying Letter of Transmittal (the "Letter of Transmittal"), any and all of the outstanding 8 3/4% Convertible Subordinated Notes due 2004 of the Company (the "Notes"). As a result of the Merger (as defined below), each $1,000 principal amount of Notes is convertible into shares of Class A common stock of Casella Waste Systems, Inc. as described below. The "Repurchase Price" equals 100% of the principal amount of the Notes, plus accrued and unpaid interest up to but excluding March 8, 2000 (the "Repurchase Date"), unless the Expiration Date is extended as set forth herein under "Certain Offer Matters--Expiration Date; Extensions; Amendments; Termination." Unless the Company fails to pay the Repurchase Price, any Notes properly tendered pursuant to the Offer and accepted for payment will cease to accrue interest on the Repurchase Date. Any Notes not tendered in the Offer (or tendered and withdrawn prior to the Expiration Date) will remain obligations of the Company and will continue to accrue interest and have all of the benefits of the Indenture.

Any holder of Notes (a "Holder") desiring to tender all or any portion of such Holder's Notes must comply with the procedures for tendering Notes set forth herein in "Procedures for Tendering Notes" and in the Letter of Transmittal. Tenders of Notes may be withdrawn at any time prior to the Expiration Date. In the event of a withdrawal of Notes, the Notes so withdrawn will be returned to the Holder promptly.

The date of this Offer to Purchase is January 24, 2000

The Offer is being made pursuant to the Indenture, dated as of July 31, 1998, between the Company, as issuer, and SunTrust Bank, Central Florida, National Association (now known as SunTrust Bank), as trustee, as supplemented by a supplemental Indenture, dated as of December 14, 1999, between the Company, as issuer, and SunTrust Bank, as trustee (the indenture, as supplemented by the Supplemental Indenture, is referred to herein as the "Indenture") which provides that, following a Change of Control (as defined below), each Holder will have the right, at such Holder's option, to require the Company to purchase all or any part of such Holder's Notes at the Repurchase Price (a "Change of Control Right"). A Change of Control occurred on December 14, 1999 as a result of the consummation of the merger (the "Merger") of Rutland Acquisition Sub, a New Jersey corporation ("Acquisition Sub") and wholly-owned subsidiary of Casella, with and into the Company. As a result of the Merger, the Company as the surviving entity, became a wholly-owned subsidiary of Casella.

The Merger was consummated on December 14, 1999 (the "Effective Time") pursuant to an Agreement and Plan of Merger, dated as of January 12, 1999, as amended, by and among the Company, Casella and Acquisition Sub (the "Merger Agreement") which provided for the Merger of Acquisition Sub with and into the Company. Upon the consummation of the Merger, stockholders of the Company received the right to receive .51 of one share of Casella Class A common stock for each share of the Company's common stock held by them (the "Exchange Ratio").

Prior to the Effective Time, the Notes were convertible into shares of the Company's common stock at a conversion price of $11.75 per share. As a result of the Merger and pursuant to the Supplemental Indenture, the Notes are no longer convertible into shares of the Company's common stock. Instead, each Holder has the right (during the period the Notes are convertible as specified in Article 11 of the Indenture) to convert such Notes only into Casella Class A common stock. Based on the Exchange Ratio, each $1,000 principal amount of Notes is now convertible into approximately 43.4 shares of Casella Class A common stock, reflecting a conversion price of approximately $23.04 per share, subject to adjustment as provided in the Indenture. Information with respect to historical and recent stock prices of Casella Class A common stock is set forth below under "Market Price Information--Casella Common Stock."

In November 1998, $14,329,000 of the Notes were exchanged for 1,219,489 shares of KTI Common Stock at $11.75 per share. The conversion included a premium equal to 3.0% of the face value of the Notes and nine months forward interest at 8 3/4%, paid to the noteholders in the form of 63,910 shares of KTI common stock valued at $21.44 per share.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment) and applicable law, the Company will purchase, by accepting for payment, and will pay for all Notes validly tendered (and not properly withdrawn) pursuant to the Offer promptly after the Expiration Date, such payment to be made by the deposit of immediately available funds by the Company with SunTrust Bank (the "Depositary").

No person has been authorized to give any information or to make any representations other than those contained in this Offer to Purchase and, if given or made, such information or representations must not be relied upon as having been authorized. This Offer to Purchase and related documents do not constitute an offer to buy or the solicitation of an offer to sell securities in any circumstances in which such offer or solicitation is unlawful. The delivery of this Offer to Purchase shall not, under any circumstances, create any implication that the information contained herein is current as of any time subsequent to the date of such information.

Neither the Company nor Casella makes any recommendation as to whether or not Holders should exercise their Change of Control Right and tender Notes pursuant to this Offer.

Any questions or requests for assistance or for additional copies of this Offer to Purchase or related documents may be directed to the Depositary at its telephone number set forth below under "Depositary." Any beneficial owner owning interests in Notes may also contact such beneficial owner's broker, dealer, commercial bank, trust company or other nominee for assistance concerning this Offer.

AVAILABLE INFORMATION

Casella is, and prior to December 14, 1999, the Company was, subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith each has filed reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the Commission's Regional Office at Seven World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material also can be obtained, at prescribed rates, from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission maintains a website at http://www.sec.gov. that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

Casella's Registration Statement on Form S-4, filed on November 12, 1999, as amended by Forms S-4/A-1 and S-4/A-2, both of which were filed on November 15, 1999, and Casella's Quarterly Report on Form 10-Q for the quarter ended October 31, 1999 are incorporated in this offer to purchase by reference. In addition, KTI's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 is incorporated in this offer to purchase by reference.

Any future filings by Casella under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this offer to purchase and prior to the date on which tenders may be withdrawn will be deemed to be incorporated in this offer to purchase by reference. Any such filings will automatically update and replace the information that appears, or is incorporated in this offer to purchase.

The common stock of the Company has been delisted from the Nasdaq National Market and application has been made pursuant to the Exchange Act to terminate the registration of the Company's common stock under the Exchange Act. Such termination will substantially reduce the information required to be furnished by the Company to the Commission.

This Offer to Purchase constitutes a part of an Issuer Tender Offer Statement on Schedule TO (the "Schedule TO") filed with the Commission by the Company and Casella pursuant to Section 13(e) of the Exchange Act and the rules and regulations promulgated thereunder. The Schedule TO and all exhibits thereto are incorporated in this Offer to Purchase by reference.

CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS

Certain statements in this Offer to Purchase, including the information incorporated by reference herein, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Among these statements are those included in Casella's Form S-4 filed on November 12, 1999 (the "Casella S-4"), including under the following captions:

- "Risk Factors";
- "The Merger--Reasons for the merger";
- "The Companies";
- "Combined Unaudited Pro Forma Financial Information"; and
- "Notes to Combined Unaudited Pro Forma Financial Information".

Casella may also be making forward-looking statements when it makes statements that include the words "believes", "expects", "anticipates" or similar expressions. Additionally, the discussion in the Casella S-4 of anticipated operational efficiencies from the Merger appearing in "Risk Factors" and "The Merger--Reasons for the merger" and the projected operating results for the current fiscal year and future fiscal years appearing in "The Merger--Reasons for the merger", including projected operating results for the combined company and for each company as a stand alone entity, constitute forward-looking statements. These differences could arise as a result of many factors, including those set forth in the Casella S-4 under "Risk Factors".

Many of the foregoing risks and factors have been discussed in the Company's and Casella's prior filings with the Securities and Exchange Commission. The foregoing review of factors pursuant to the Private Securities Litigation Reform Act of 1995 should not be construed as exhaustive.

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CERTAIN OFFER MATTERS

PURPOSE AND EFFECTS OF THE OFFER

The Offer is being made pursuant to the Indenture, which provides that, following a Change of Control, each Holder of Notes will have the right, at such Holder's option, to require the Company to repurchase all or a portion of such Holder's Notes, in integral multiples of $1,000, at a purchase price equal to 100% of the principal amount thereof plus accrued and unpaid interest up to but excluding the Repurchase Date. A "Change of Control" as defined in the Indenture occurs when, among other things, there shall be consummated any consolidation or merger of the Company pursuant to which the Company's common stock would be converted into cash, securities or other property other than a consolidation or merger of the Company in which the holders of the Company's common stock immediately prior to the consolidation or merger have, directly or indirectly, at least a majority of the total voting power of all classes of capital stock entitled to vote generally in the election of directors of the continuing or surviving corporation immediately after such consolidation or merger in substantially the same proportion as their ownership of the Company's common stock immediately before such transaction.

A "Change of Control" occurred on December 14, 1999 as a result of the consummation of the Merger, pursuant to which the Company, as the surviving entity, became a wholly-owned subsidiary of Casella. This Offer to Purchase serves as the Offer to Purchase required by Section 4.8 of the Indenture.

The Notes purchased in the Offer will cease to be outstanding and will be delivered to the Trustee for cancellation immediately after such purchase.

Holders of Notes that are not tendered pursuant to the Offer will not have the right after the Expiration Date to exercise their Change of Control Rights in respect of such Notes in connection with the Merger.

If less than all the principal amount of Notes held by a Holder is tendered and accepted pursuant to the Offer, the Company will issue, and the Trustee will authenticate and deliver to or on the order of the Holder thereof, at the expense of the Company, new Notes of authorized denominations, in a principal amount equal to the portion of the Notes not tendered or not accepted, as the case may be, as promptly as practicable after the Expiration Date.

EXPIRATION DATE; EXTENSIONS; AMENDMENTS; TERMINATION

The Offer will expire on March 3, 2000, unless extended (the "Expiration Date"). During any extension of the Offer, all Notes previously tendered pursuant to the Offer (and not properly withdrawn) will remain subject to the Offer and may be accepted for payment by the Company, subject to the withdrawal rights of Holders.

The Company also expressly reserves the right, subject to the requirements of the Indenture, to amend the terms of the Offer in any respect.

Any extension, termination or amendment of the Offer will be followed as promptly as practicable by a public announcement thereof. Without limiting the manner in which the Company may choose to make a public announcement of any extension, termination or amendment of the Offer, the Company shall have no obligation to publish, advertise or otherwise communicate any such public announcement, other than by issuing a release to the Business Wire, except in the case of an announcement of an extension of the Offer, in which case the Company shall have no obligation to publish, advertise or otherwise communicate such announcement other than by issuing a notice of such extension by press release or other public announcement, which notice shall be issued no later than 9:00 a.m., New York City time, on the next business day after the previously

scheduled Expiration Date.

ACCEPTANCE FOR PAYMENT

For purposes of the Offer, the Company shall be deemed to have accepted for payment (and thereby to have purchased) tendered Notes as, if and when the Company gives oral or written notice to the Depositary of the Company's acceptance of such Notes for payment. Subject to the terms and conditions of the Offer, payment for Notes so accepted will be made by deposit of the consideration therefor with the Depositary. The Depositary will act as agent for tendering Holders for the purpose of receiving payment from the Company and then transmitting payment to such tendering Holders. The Company will deposit the consideration with the Depositary on March 8, 2000 or three business days after the Expiration Date, if extended.

PROCEDURES FOR TENDERING NOTES

TENDERING NOTES

The tender of Notes pursuant to any of the procedures set forth in this Offer to Purchase and in the Letter of Transmittal will constitute a binding agreement between the tendering Holder and the Company upon the terms and subject to the conditions of the Offer. The tender of Notes will constitute an agreement to deliver good and marketable title to all tendered Notes prior to the Expiration Date free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind.

EXCEPT AS PROVIDED IN "--GUARANTEED DELIVERY PROCEDURES", UNLESS THE NOTES BEING TENDERED ARE DEPOSITED BY THE HOLDER WITH THE DEPOSITARY PRIOR TO THE EXPIRATION DATE (ACCOMPANIED BY A PROPERLY COMPLETED AND DULY EXECUTED LETTER OF TRANSMITTAL), THE COMPANY MAY, AT ITS OPTION, REJECT SUCH TENDER. PAYMENT FOR NOTES WILL BE MADE ONLY AGAINST DEPOSIT OF TENDERED NOTES AND DELIVERY OF ALL OTHER REQUIRED DOCUMENTS.

Only record Holders of Notes are authorized to exercise a Change of Control Right and tender their Notes pursuant to the Offer. Accordingly, to properly exercise a Change of Control Right and tender Notes or cause Notes to be tendered, the following procedures must be followed:

NOTES HELD THROUGH DTC. Each beneficial owner of Notes held through a participant (a "DTC Participant") of The Depository Trust Company ("DTC") (i.e., a custodian bank, depositary, broker, trust company or other nominee) must instruct such DTC Participant to cause its Notes to be tendered in accordance with the procedures set forth in this Offer to Purchase.

Pursuant to an authorization given by DTC to the DTC Participants, each DTC Participant that holds Notes through DTC must (i) transmit its acceptance through the DTC Automated Tender Offer Program ("ATOP") (for which the transaction will be eligible), and DTC will then edit and verify the acceptance, execute a book-entry delivery to the Depositary's account at DTC and send an Agent's Message (as defined below) to the Depositary for its acceptance, or (ii) comply with the guaranteed delivery procedures set forth in this Offer to Purchase. The Depositary will (promptly after the date of this Offer to Purchase) establish accounts at DTC for purposes of the Offer with respect to Notes held through DTC, and any financial institution that is a DTC Participant may make book-entry delivery of interests in Notes into the Depositary's account through ATOP. However, although delivery of interests in the Notes may be effected through book-entry transfer into the Depositary's account through ATOP, an Agent's Message in connection with such book-entry transfer and any other required documents must be, in any case, transmitted to and received by the Depositary at its address set forth on the back cover of this Offer to Purchase, or the guaranteed delivery procedures set forth below must be complied with, in each case, prior to the Expiration Date. Delivery of documents to DTC does not constitute delivery to the Depositary. The confirmation of a book-entry transfer into the Depositary's account at DTC as described above is referred to herein as a "Book-Entry Confirmation."

The term "Agent's Message" means a message transmitted by DTC to, and received by, the Depositary and forming a part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgment from each DTC Participant tendering through ATOP that such DTC Participants have received a

Letter of Transmittal and agree to be bound by the terms of the Letter of Transmittal and that the Company may enforce such agreement against such DTC Participants.

All of the Notes currently held through DTC have been issued in the form of a global note registered in the name of Cede & Co. ("Cede"), DTC's nominee (the "Global Note"). At or as of the close of business on the second business day after the Expiration Date, DTC will deliver to the Depositary the Global Note (with the form entitled "Option of Holder to Elect Purchase" on the reverse of the certificate completed). At or as of the close of business on the second business day after the Expiration Date, DTC will deliver the aggregate principal amount of Notes as to which it has delivered Agent's Messages in respect of Notices of Guaranteed Delivery as described under "--Guaranteed Delivery Procedures." Thereafter, the aggregate principal amount of the Global Note will be reduced to represent the aggregate principal amount of Notes held through DTC and not tendered pursuant to the Offer and the Global Note will be returned to Cede.

NOTES HELD BY RECORD HOLDERS. Each record Holder must complete and sign a Letter of Transmittal, and mail or deliver such Letter of Transmittal, and any other documents required by the Letter of Transmittal, together with certificate(s) representing all tendered Notes (with the form entitled "Option of Holder to Elect Purchase" on the reverse of the certificate completed), to the Depositary at its address set forth below under "The Depositary", or the Holder must comply with the guaranteed delivery procedures set forth in this Offer to Purchase.

All signatures on a Letter of Transmittal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program; provided, however, that signatures on a Letter of Transmittal need not be guaranteed if such Notes are tendered for the account of an Eligible Institution (as defined below). If a Letter of Transmittal or any Note is signed by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, such person must so indicate when signing, and proper evidence satisfactory to the Company of the authority of such person so to act must be submitted.

No alternative, conditional, irregular or contingent tenders will be accepted (unless waived). By executing a Letter of Transmittal or transmitting an acceptance through ATOP, each tendering Holder waives any right to receive any notice of the acceptance for purchase of its Notes.

LOST OR MISSING CERTIFICATES. If a record Holder desires to tender Notes pursuant to the Offer, but the certificates representing such Notes have been mutilated, lost, stolen or destroyed, such Holder should write to or telephone the Depositary about procedures in accordance with the provision of the Indenture for obtaining replacement certificates representing such Notes.

BACKUP FEDERAL INCOME TAX WITHHOLDING. Under the "backup withholding" provisions of Federal income tax law, unless a tendering Holder, or his or her assignee (in either case, the "Payee"), satisfies the conditions described in Instruction 5 of the Letter of Transmittal or is otherwise exempt, the aggregate purchase price may be subject to backup withholding tax at a rate of 31%. To prevent backup withholding, each Payee should complete and sign the Substitute Form W-9 provided in the Letter of Transmittal. See Instruction 5 of the Letter of Transmittal.

EFFECT OF LETTER OF TRANSMITTAL. Subject to and effective upon the acceptance for payment of the Notes tendered thereby, by executing and delivering a Letter of Transmittal a tendering Holder of Notes (i) irrevocably sells, assigns and transfers to the Company all right, title and interest in and to all the Notes tendered thereby, (ii) waives any and all rights with respect to the Notes (including without limitation any existing or past defaults and their consequences in respect of the Notes and the

Indenture under which the Notes were issued), (iii) releases and discharges the Company from any and all claims such Holder may have now, or may have in the future arising out of, or related to, the Notes including without limitation any claims that such Holder is entitled to receive additional principal or interest payments with respect to the Notes or to participate in any redemption or defeasance of the Notes and (iv) irrevocably constitutes and appoints the Depositary the true and lawful agent and attorney-in-fact of such Holder with

respect to any such tendered Notes, with full power of substitution and resubstitution (such power of attorney being deemed to be an irrevocable power coupled with an interest) to (a) deliver certificates representing such Notes, or transfer ownership of such Notes on the account books maintained by DTC, together, in any such case, with all accompanying evidences of transfer and authenticity, to the Company, (b) present such Notes for transfer on the relevant security register and (c) receive all benefits or otherwise exercise all rights of beneficial ownership of such Notes (except that the Depositary will have no rights to, or control over, funds from the Company, except as agent for the Company, for the Repurchase Price for any tendered Notes that are purchased by the Company), all in accordance with the terms of the Offer.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of tendered Notes will be resolved by the Company, whose determination will be final and binding. The Company reserves the absolute right to reject any or all tenders that are not in proper form or the acceptance of which may, in the opinion of counsel for the Company, be unlawful. The Company also reserves the absolute right to waive any condition to the Offer and any irregularities or conditions of tender as to particular Notes. The Company's interpretation of the terms and conditions of the Offer (including the instructions in the Letter of Transmittal) will be final and binding. Unless waived, any irregularities in connection with tenders must be cured within such time as the Company shall determine. The Company and the Depositary shall not be under any duty to give notification of defects in such tenders and shall not incur liabilities for failure to give such notification. Tenders of Notes will not be deemed to have been made until such irregularities have been cured or waived. Any Notes received by the Depositary that are not properly tendered and as to which the irregularities have not been cured or waived will be returned by the Depositary to the tendering Holder, unless otherwise provided in the Letter of Transmittal, as soon as practicable following the Expiration Date.

LETTERS OF TRANSMITTAL AND NOTES MUST BE SENT ONLY TO THE DEPOSITARY. DO NOT SEND LETTERS OF TRANSMITTAL OR NOTES TO THE COMPANY.

THE METHOD OF DELIVERY OF NOTES AND LETTERS OF TRANSMITTAL, ANY REQUIRED SIGNATURE GUARANTEES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH DTC AND ANY ACCEPTANCE THROUGH ATOP, IS AT THE ELECTION AND RISK OF THE PERSONS TENDERING AND DELIVERING ACCEPTANCES OR LETTERS OF TRANSMITTAL AND, EXCEPT AS OTHERWISE PROVIDED IN THE LETTER OF TRANSMITTAL, DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, IT IS SUGGESTED THAT THE HOLDER USE PROPERLY INSURED, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, AND THAT THE MAILING BE MADE SUFFICIENTLY IN ADVANCE OF THE EXPIRATION DATE TO PERMIT DELIVERY TO THE DEPOSITARY PRIOR TO THE EXPIRATION DATE.

GUARANTEED DELIVERY PROCEDURES

DTC PARTICIPANTS. A DTC Participant who wishes to cause its Notes to be tendered, but who cannot transmit its acceptance through ATOP prior to the Expiration Date, may cause a tender to be effected if:

(a) guaranteed delivery is made by or through a firm or other entity identified in Rule 17Ad-15 under the Exchange Act (an "Eligible Institution"), including (as such terms are defined

therein): (i) a bank; (ii) a broker, dealer, municipal securities dealer, municipal securities broker, government securities dealer or government securities broker, (iii) a credit union; (iv) a national securities exchange, registered securities association or clearing agency; or (v) a savings institution that is a participant in a Securities Transfer Association recognized program;

(b) prior to 12:00 a.m., New York City time, on the Expiration Date, the Depositary receives from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by mail, hand delivery, facsimile transmission or overnight courier) substantially in the form provided herewith; and

(c) Book-Entry Confirmation of the transfer into the Depositary's account at DTC, and all other documents required by the Letter of Transmittal, are received by the Depositary within three NYSE trading days after the date of receipt by the Depositary of such Notice of Guaranteed Delivery.

RECORD HOLDERS. A record Holder who wishes to tender its Notes but (i) whose Notes are not immediately available and will not be available for tendering prior to the Expiration Date, or (ii) who cannot deliver its Notes, the Letter of Transmittal or any other required documents to the Depositary prior to the Expiration Date, may effect a tender if:

(a) the tender is made by or through an Eligible Institution;

(b) prior to 12:00 a.m., New York City time, on the Expiration Date, the Depositary receives from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by mail, hand delivery, facsimile transmission or overnight courier) substantially in the form provided herewith; and

(c) a properly completed and executed Letter of Transmittal, as well as the certificate(s) representing all tendered Notes in proper form for transfer, and all other documents required by the Letter of Transmittal, are received by the Depositary within three NYSE trading days after the date of receipt by the Depositary of such Notice of Guaranteed Delivery.

Under no circumstances will interest be paid by the Company by reason of any delay in making payment to any person using the guaranteed delivery procedures described above.

WITHDRAWAL RIGHTS

Tenders of Notes (or any portion of such Notes in integral multiples of $1,000) may be withdrawn at any time prior to the close of business on the business day following the Expiration Date.

NOTES HELD THROUGH DTC. A DTC Participant who has transmitted its acceptance through ATOP in respect of Notes held through DTC may, prior to the Expiration Date, withdraw the instruction given thereby by (i) withdrawing its acceptance through ATOP, or (ii) delivering to the Depositary by mail, hand delivery or facsimile transmission a notice of withdrawal of such instruction. Such notice of withdrawal must contain the name and number of the DTC Participant, the principal amount of Notes to which such withdrawal relates and the signature of the DTC Participant. Withdrawal of such an instruction will be effective upon receipt of such notice of withdrawal by the Depositary.

NOTES HELD BY RECORD HOLDERS. A Holder may withdraw its tender of Notes prior to the Expiration Date by delivering to the Depositary by mail, hand delivery or facsimile transmission a notice of withdrawal. Any such notice of withdrawal must (i) specify the name of the person who tendered the Notes to be withdrawn, (ii) contain a description of the Notes to be withdrawn and identify the certificate number or numbers shown on the particular certificates evidencing such Notes and the aggregate principal amount represented by such Notes and (iii) be signed by the Holder of such Notes

in the same manner as the original signature on the Letter of Transmittal by which such Notes were tendered (including any required signature guarantees), or be accompanied by (x) documents of transfer in a form acceptable to the Company, in its sole discretion, and (y) a properly completed irrevocable proxy that authorized such person to effect such revocation on behalf of such Holder. If the Notes to be withdrawn have been delivered or otherwise identified to the Depositary, a signed notice of withdrawal is effective immediately upon receipt by the Depositary even if physical release is not yet effected. Any Notes properly withdrawn will be deemed to be not validly tendered for purposes of the Offer.

All signatures on a notice of withdrawal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program; provided, however, that signatures on the notice of withdrawal need not be guaranteed if the Notes being withdrawn are held for the account of an Eligible Institution.

A withdrawal of an instruction or a withdrawal of a tender must be executed by a DTC Participant or a Holder, as the case may be, in the same manner as the person's name appears on its transmission through ATOP or Letter of Transmittal, as the case may be, to which such withdrawal relates. If a notice of withdrawal is signed by a trustee, partner, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, such person must so indicate when signing

and must submit with the revocation appropriate evidence of authority to execute the notice of withdrawal. A Holder or DTC Participant may withdraw a tender only if such withdrawal complies with the provisions of this Offer to Purchase.

A withdrawal of an instruction previously given pursuant to the transmission of an acceptance through ATOP or a withdrawal of a tender by a Holder may be rescinded only by (i) a new transmission of acceptance through ATOP, or (ii) execution and delivery of a new Letter of Transmittal, as the case may be, in accordance with the procedures described herein.

CERTAIN INFORMATION CONCERNING THE COMPANY AND CASELLA

Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, Vermont 05701
(802) 775-0325

Casella is a regional, integrated, non-hazardous solid waste services company that provides collection, transfer, disposal and recycling services in Vermont, New Hampshire, Maine, upstate New York, northern Pennsylvania and Massachusetts. At September 1, 1999, Casella owned and/or operated five Subtitle D landfills and two permitted construction and demolition debris landfills, 54 transfer stations, 24 recycling processing facilities and 38 collection operations which together serve over 500,000 commercial, municipal and residential customers.

KTI, Inc.
25 Greens Hill Lane
Rutland, Vermont 05701
(802) 775-0325

KTI is an integrated solid waste processing company serving commercial, industrial and residential customers primarily in the eastern United States. At September 1, 1999, KTI processed solid waste through a network of 50 facilities in 19 states, including six waste-to-energy plants, 22 material recycling facilities and 11 finished products facilities. KTI is a wholly-owned subsidiary of Casella.

Specific reference is made to the Casella S-4, including for a summary of the terms of and reasons for the Merger and risk factors relating to Casella following the Merger.

SOURCES AND AMOUNT OF FUNDS

The precise amount of funds required by the Company to purchase Notes tendered pursuant to the Offer and to pay the fees and expenses related to the Offer will not be known until the Expiration Date. If all outstanding Notes were tendered and purchased, the aggregate amount of funds required to pay the Repurchase Price would be approximately $6,830,883. Such funds are expected to be provided through a capital contribution by Casella.

Casella intends to provide such capital contribution from cash on hand and cash borrowed under its existing credit facility. There are no conditions to Casella's use of the credit facility for purposes of repurchasing the Notes. Casella's credit facility provides Casella with revolving credit loans of up to $300,000,000, plus a term loan in the maximum amount of $150,000,000. The loans are secured by a pledge of stock of all of Casella's subsidiaries, and by a security interest in all assets other than real estate and motor vehicles. The interest rates on the loans is BankBoston, N.A.'s base rate or, if higher, 1 1/2% above the overnight federal funds effective rate, plus in either case an additional amount between 0.125% and 0.750% per annum. The maturity date of the term loan is December 14, 2006. The maturity date of the revolving credit loans is December 14, 2004. The credit facility is between Casella and BankBoston, N.A. as administrative agent, KeyBank National Association as documentation agent, Bank of America, N.A., as syndication agent and Canadian Imperial Bank of Commerce as Canadian agent, along with the following participating banks: Comerica Bank, Lasalle Bank National Association, Credit Lyonnais, First Vermont Bank and Trust Company and CIBC, Inc.

The Company estimates that its expenses incurred in connection with the offer will be approximately as follows:

SEC Filing Fee	$ 1,366
Legal Fees and Expenses	10,000
Printing Fees	5,000
Miscellaneous Expenses	3,634
Total	$20,000

MARKET PRICE INFORMATION

THE NOTES

The Notes are not traded in an established market. To the extent that the Notes are traded, prices of the Notes may fluctuate widely depending on the trading volume and the balance between buy and sell orders.

HOLDERS ARE URGED TO OBTAIN CURRENT MARKET QUOTATIONS FOR THE NOTES PRIOR TO MAKING ANY DECISION WITH RESPECT TO THE OFFER.

CASELLA CLASS A COMMON STOCK

Casella Class A common stock is traded on the Nasdaq National Market under the symbol "CWST". The table below sets forth, for the quarterly periods indicated, the range of high and low sale prices of Casella Class A common stock as reported on the Nasdaq National Market.

	HIGH	LOW
Quarter ended October 31, 1997*	22.750	20.250
Quarter ended January 31, 1998	26.375	19.000
Quarter ended April 30, 1998	34.000	23.750
Quarter ended July 31, 1998	31.500	24.375
Quarter ended October 31, 1998	34.000	24.000
Quarter ended January 31, 1999	39.000	25.000
Quarter ended April 30, 1999	27.000	17.250
Quarter ended July 31, 1999	26.875	19.063
Quarter ended October 31, 1999	26.625	12.750
Quarter ended January 31, 2000+	19.313	13.125

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* Casella Class A common stock was not publicly traded until October 29, 1997.

\+ Through January 21, 2000.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

GENERAL

The following discussion is for general information only and is based on the federal income tax law now in effect, which is subject to change, possibly retroactively. This summary does not discuss all aspects of federal income taxation which may be relevant to any particular Holder of the Notes in light of such Holder's individual investment circumstances or to certain types of Holders subject to special tax rules (e.g., financial institutions, broker-dealers, pass-through entities, insurance companies, tax-exempt organizations and Holders who hold their Notes as part of a hedge, straddle, conversion, or other integrated transaction, and Holders who are not citizens or residents of the United States or who are foreign corporations or foreign estates or trusts as to the United States), nor does it address specific state, local or foreign tax consequences. This summary assumes that the Holders of the Notes have held their Notes as "capital assets" as defined under the Internal Revenue Code of 1986, as amended.

EACH HOLDER IS URGED TO CONSULT SUCH HOLDER'S TAX ADVISOR REGARDING THE SPECIFIC FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE OFFER.

SALE OF NOTES PURSUANT TO THE OFFER

The receipt of cash by a Holder in exchange for the Notes will be a taxable transaction for federal income tax purposes and may also be a taxable transaction under applicable state, local or foreign tax laws. Such Holder will recognize gain or loss in an amount equal to the difference between (i) the amount of cash received (other than in respect of accrued interest) and (ii) such Holder's adjusted tax basis in the Notes. Subject to the rules discussed below, such gain or loss will be capital gain or loss and will be long-term gain or loss if such Holder has held such Notes for more than one year.

The payment of interest or amounts treated as interest for tax purposes with respect to a Note generally will be treated as ordinary income to the extent not previously included in income.

An exception to the capital gain treatment described above applies to a Holder who holds a Note with a "market discount." Market discount is the amount by which the stated redemption price of the Note at maturity exceeds the Holder's basis in the Note immediately after its acquisition. (However, a Note will be considered to have no market discount if such excess is less than 1/4 of 1% of the stated redemption price of the Note at maturity multiplied by the number of complete years from the Holder's acquisition date of the Note to its maturity date.) The gain realized by the Holder of a Note with a market discount will be treated as ordinary income to the extent that market discount has accrued (on a straight line basis or, at the election of the Holder, on a constant interest basis) from the Holder's acquisition date to the date of sale, unless the Holder has elected to include market discount in income currently as it accrues. Gain in excess of such accrued market discount will be subject to the capital gains rules described above.

The receipt by a Holder of cash in exchange for the Notes may be subject to backup withholding at the rate of 31% with respect to the gross proceeds from the sale of such Notes unless such Holder (a) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact or (b) provides a correct taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. A Holder of Notes who does not provide his correct taxpayer identification number may be subject to penalties imposed by the IRS. Any amount withheld under these rules will be creditable against the Holder's federal income tax liability.

The Company will provide information statements to the IRS and to tendering Holders reporting the cash payments, as required by law.

THE DEPOSITARY

The Depositary for the Offer is SunTrust Bank. All deliveries and correspondence sent or presented to the Depositary relating to the Offer should be directed to the following address:

SunTrust Bank
225 East Robinson Street, Suite 250
Orlando, FL 32801
Telecopier No: (407)237-5299
Attention: Ms. Lisa Derryberry
Telephone: (407) 237-4791

Requests for information or additional copies of the Offer to Purchase and the related Letter of Transmittal should be directed to the Depositary. The Company will reimburse the Depositary for reasonable out-of-pocket expenses incurred in connection with the Offer.

Brokers, dealers, commercial banks and trust companies will be reimbursed by the Company for customary mailing and handling expenses incurred by them in forwarding material to their customers. The Company will not pay any fees or commissions to any broker, dealer or other person in connection with the solicitation of tenders of Notes pursuant to the Offer.

MISCELLANEOUS

Neither the Company nor Casella is aware of any jurisdiction where the making of this Offer is not in compliance with the laws of such jurisdiction. If the Company becomes aware of any jurisdiction where the making of this Offer would not be in compliance with such laws, the Company will make a good faith effort to comply with any such laws or seek to have such laws declared inapplicable to this Offer. If, after such good faith effort, the Company cannot comply with any such applicable laws, this Offer will not be made to (nor will tenders be accepted from or on behalf of) the Holders of the Notes residing in such jurisdiction.

EXHIBIT 99.(A)(2)

LETTER OF TRANSMITTAL
TO TENDER
8 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004
OF KTI, INC.
PURSUANT TO THE OFFER TO PURCHASE
DATED JANUARY 24, 2000

SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE OFFER TO PURCHASE, THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON MARCH 3, 2000, UNLESS EXTENDED (THE "EXPIRATION DATE"). NOTES TENDERED IN THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE CLOSE OF BUSINESS ON THE BUSINESS DAY FOLLOWING THE EXPIRATION DATE.

THE DEPOSITARY FOR THE OFFER IS:

SUNTRUST BANK
225 EAST ROBINSON STREET, SUITE 250
ORLANDO, FLORIDA 32801
TELECOPY: (407)237-5299
ATTENTION: MS. LISA DERRYBERRY
TELEPHONE: (407) 237-4791

Delivery of this Letter of Transmittal to an address, or transmission of instructions via facsimile, other than as set forth above will not constitute valid delivery. THE INSTRUCTIONS CONTAINED HEREIN AND IN THE OFFER TO PURCHASE (AS DEFINED BELOW) SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

By execution hereof, the undersigned acknowledges receipt of the Offer to Purchase, dated January 24, 2000 (as the same may be amended from time to time, the "Offer to Purchase"), of KTI, Inc. (the "Company") and this Letter of Transmittal and instructions hereto (the "Letter of Transmittal"), which together constitute the Company's offer to purchase (the "Offer") all of the outstanding 8 3/4% Convertible Subordinated Notes due 2004 of the Company (the "Notes"), upon the terms and subject to the conditions set forth in the Offer to Purchase.

HOLDERS WHO WISH TO BE ELIGIBLE TO RECEIVE PAYMENT FOR NOTES TO BE PURCHASED PURSUANT TO THE OFFER MUST VALIDLY TENDER (AND NOT WITHDRAW) THEIR NOTES TO THE DEPOSITARY PRIOR TO THE EXPIRATION DATE.

This Letter of Transmittal is to be used by holders of Notes if certificates representing Notes are to be physically delivered to the Depositary herewith by holders of Notes. This Letter of Transmittal is also being supplied for informational purposes only to persons who hold notes in book-entry form through the facilities of The Depository Trust Company ("DTC"). Tender of Notes held through DTC must be made pursuant to the procedures described under "Procedures for Tendering Notes--Tendering Notes--Notes held through DTC" in the Offer to Purchase.

In order to properly complete this Letter of Transmittal, a holder of Notes must (i) complete the box entitled "Description of Notes"; (ii) if appropriate, check and complete the boxes relating to Guaranteed Delivery, Special Issuance Instructions and Special Delivery Instructions; (iii) sign the Letter of Transmittal; and (iv) complete Substitute Form W-9. Each holder of Notes should carefully read the detailed Instructions contained herein prior to completing this Letter of Transmittal.

The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Offer.

If holders desire to tender Notes pursuant to the Offer and (i) certificates representing such holder's Notes are not lost but are not immediately available or time will not permit this Letter of Transmittal, certificates representing such Notes or other required documents to reach the Depositary prior to the Expiration Date, or (ii) the procedures for book-entry transfer cannot be completed prior to the Expiration Date, such holders may effect a tender of such Notes in accordance with the guaranteed delivery procedures described under "Procedure for Tendering Notes --Guaranteed Delivery Procedures" in the Offer to Purchase. See Instruction 1 below.

All capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Offer to Purchase.

Your bank or broker can assist you in completing this form. The instructions included with this Letter of Transmittal must be followed. Questions and requests for assistance or for additional copies of the Offer to Purchase, this Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to SunTrust Bank, the Depositary for the Offer. See Instruction 9 below.

The Company is not aware of any jurisdiction where the making of the Offer would not be in compliance with applicable laws. If the Company becomes aware of any jurisdiction where the making of the Offer would not be in compliance with such laws, the Company will make a good faith effort to comply with any such laws or seek to have such laws declared inapplicable to the Offer. If after such good faith effort, the Company cannot comply with any such applicable laws, the Offer will not be made to, nor will tenders be accepted from or on behalf of, the holders of Notes residing in such jurisdiction.

PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL CAREFULLY
BEFORE CHECKING ANY BOX BELOW

List below the Notes to which this Letter of Transmittal relates. If the space provided below is inadequate, list the certificate numbers and principal amounts on a separately executed schedule and affix the schedule to this Letter of Transmittal.

DESCRIPTION OF NOTES

NAME(S) AND ADDRESS(ES) OF HOLDER(S) (PLEASE FILL IN, IF BLANK)	CERTIFICATE NUMBERS*	AGGREGATE PRINCIPAL AMOUNT REPRESENTED**	PRINCIPAL AMOUNT TENDERED**

* Need not be completed by Holders tendering by book-entry transfer (see below).

** Unless otherwise indicated in the column labeled "Principal Amount Tendered" and subject to the terms and conditions of the Offer to Purchase, a Holder will be deemed to have tendered the entire aggregate principal amount represented by the Notes indicated in the column labeled "Aggregate Principal Amount Represented." See Instruction 2.

/ / CHECK HERE IF TENDERED NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder:

Window Ticket Number (if any):

Date of Execution of Notice of Guaranteed Delivery:

Name of Eligible Institution which Guaranteed Delivery:

LADIES AND GENTLEMEN:

Upon the terms and subject to the conditions of the Offer, the undersigned

hereby tenders to the Company the principal amount of Notes indicated above.

Subject to and effective upon the acceptance for payment of Notes tendered hereby, by executing and delivering a Letter of Transmittal a tendering holder of Notes (i) irrevocably sells, assigns and transfers to the Company, all right, title and interest in and to all the Notes tendered thereby, (ii) waives any and all rights with respect to the Notes (including without limitation any existing or past defaults and their consequences in respect of the Note and the Indenture under which the Notes were issued), (iii) releases and discharges the Company from any and all claims such holder may have now, or may have in the future arising out of, or related to, the Notes including without limitation any claims that such holder is entitled to receive additional principal or interest payments with respect to the Notes or to participate in any repurchase, redemption or defeasance of the Notes and (iv) irrevocably constitutes and appoints the Depositary the true and lawful agent and attorney-in-fact of such holder with respect to any such tendered Notes, with full power of substitution and resubstitution (such power of attorney being deemed to be an irrevocable power coupled with an interest) to (a) deliver certificates representing such Notes, or transfer ownership of such Notes, on the account books maintained by DTC, together, in any such case, with all accompanying evidences of transfer and authenticity, to the Company, (b) present such Notes for transfer on the relevant security register and (c) receive all benefits or otherwise exercise all rights of beneficial ownership of such Notes (except that the Depositary will have no rights to, or control over, funds from the Company, except as agent for the Company, for the purchase price for any tendered Notes that are purchased by the Company), all in accordance with the terms of the Offer.

The undersigned understands that tenders of Notes may be withdrawn by written notice of withdrawal received by the Depositary at any time prior to the close of business on the business day following the Expiration Date. See Instruction 1.

The undersigned hereby represents and warrants that the undersigned (i) owns the Notes tendered and is entitled to tender such Notes and (ii) has full power and authority to tender, sell, assign and transfer the Notes tendered hereby and that when such Notes are accepted for purchase and payment by the Company, the Company will acquire good title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim or right. The undersigned will, upon request, execute and deliver any additional documents deemed by the Depositary or the Company to be necessary or desirable to complete the sale, assignment and transfer of the Notes tendered hereby.

For the purposes of the Offer, the undersigned understands that the Company will be deemed to have accepted for purchase validly tendered Notes (or defectively tendered Notes with respect to which the Company has waived such defect) only if, as and when the Company gives oral or written notice thereof to the Depositary. Payment for Notes purchased pursuant to the Offer will be made by deposit of the purchase price for such Notes with the Depositary, which will act as agent for tendering holders for the purpose of receiving payments from the Company and transmitting such payments to such holders.

All authority conferred or agreed to be conferred by this Letter of Transmittal shall survive the death or incapacity of the undersigned and every obligation of the undersigned under this Letter of Transmittal shall be binding upon the undersigned's heirs, personal representatives, executors, administrators, successors, assigns, trustees in bankruptcy and other legal representatives.

The undersigned understands that valid tender of Notes pursuant to any one of the procedures described under "Procedures for Tendering Notes" in the Offer to Purchase and in the instructions hereto will constitute a binding agreement between the undersigned and the Company upon the terms and subject to the conditions of the Offer, including the undersigned's waiver of any existing defaults

and their consequences in respect of the Notes and the Indenture (including, without limitation, a default in the payment of interest).

The undersigned understands that the delivery and surrender of the Notes is not effective, and the risk of loss of the Notes does not pass to the Depositary, until receipt by the Depositary of this Letter of Transmittal, or a facsimile hereof, properly completed and duly executed, together with all accompanying evidences of authority and any other required documents in form

satisfactory to the Company. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Notes pursuant to the procedures described in the Offer to Purchase and the form and validity (including time of receipt of notices of withdrawal) of all documents will be determined by the Company, in its sole direction, which determination shall be final and binding on all parties.

Unless otherwise indicated herein under "Special Issuance Instructions," the undersigned hereby requests that any Notes representing principal amounts not tendered be issued in the name(s) of the undersigned, and checks constituting payments for Notes purchased in connection with the Offer be issued to the order of the undersigned. Similarly, unless otherwise indicated herein under "Special Delivery Instructions," the undersigned hereby requests that any Notes representing principal amounts not tendered and checks constituting payments for Notes to be purchased in connection with the Offer be delivered to the undersigned at the address(es) shown herein. In the event that the "Special Issuance Instructions" box or the "Special Delivery Instructions" box, or both, are completed, the undersigned hereby requests that any Notes representing principal amounts not tendered be issued in the name(s) of, certificates for such Notes be delivered to, and checks constituting payments for Notes purchased in connection with the Offer be issued in the name(s) of, and be delivered to, the person(s) at the address(es) so indicated, as applicable.

SPECIAL ISSUANCE INSTRUCTIONS

To be completed ONLY if any checks and/or any certificates for Notes in a principal amount not tendered are to be issued in the name of and sent to someone other than the person(s) whose name(s) appear(s) in the "Description of Notes above Tendered" box above.

Issue to: / / Notes / / Checks

(COMPLETE AS APPLICABLE)

Name _____

(PLEASE PRINT)

Address _____

_____

_____

(INCLUDE ZIP CODE)

_____

(TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NO.)
(SEE SUBSTITUTE FORM W-9 HEREIN)

SPECIAL DELIVERY INSTRUCTIONS

To be completed ONLY if any checks and/or any certificates for Notes in a principal amount not tendered are to be sent to someone other than the undersigned or to the undersigned at an address other than that shown in the "Description of Notes above Tendered" box above.

Deliver: / / Notes / / Checks

(COMPLETE AS APPLICABLE)

Name _____

(PLEASE PRINT)

Address _____

_____

_____

(INCLUDE ZIP CODE)

_____

(TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NO.)

(SEE SUBSTITUTE FORM W-9 HEREIN)

HOLDERS WHO WISH TO ACCEPT THE OFFER AND TENDER THEIR NOTES MUST COMPLETE THIS LETTER OF TRANSMITTAL IN ITS ENTIRETY.

NOTE: SIGNATURES MUST BE PROVIDED BELOW. PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.

PLEASE SIGN HERE

(TO BE COMPLETED BY ALL TENDERING HOLDERS OF NOTES PURSUANT TO THE OFFER REGARDLESS OF WHETHER NOTES ARE BEING PHYSICALLY DELIVERED HEREWITH)

This Letter of Transmittal must be signed by the holder(s) of Notes exactly as their name(s) appear(s) on certificate(s) for Notes or by person(s) authorized to become holder(s) by endorsements and documents transmitted with this Letter of Transmittal. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below under "Capacity" and submit evidence satisfactory to the Company of such person's authority to so act. See Instruction 3 below.

If the signature appearing below is not of the holder(s) of the Notes, then the holder(s) must sign a valid power of attorney.

X _____

X _____
SIGNATURE(S) OF HOLDER(S) OR AUTHORIZED SIGNATORY

Date: _____

Name(s): _____

_____
(PLEASE PRINT)

Capacity _____

Address _____

_____
(INCLUDING ZIP CODE)

Area Code and Telephone No. ( )_____

SIGNATURE GUARANTEE
(See Instruction 3 Below)

Certain Signatures Must Be Guaranteed by an Eligible Institution.

_____
(NAME OF ELIGIBLE INSTITUTION GUARANTEEING SIGNATURES)

_____
(ADDRESS (INCLUDING ZIP CODE) AND TELEPHONE NUMBER (INCLUDING AREA CODE) OF FIRM)

_____
(AUTHORIZED SIGNATURE)

_____
(PRINTED NAME)

_____
(TITLE)

Date: _____, 2000

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. PROCEDURES FOR TENDERING NOTES; GUARANTEED DELIVERY PROCEDURES; WITHDRAWAL OF TENDERS. To tender the Notes in the Offer, certificates representing such Notes, together with a properly completed and duly executed copy (or facsimile) of this Letter of Transmittal, and any other documents required by this Letter of Transmittal must be received by the Depositary at the address set forth herein prior to the Expiration Date. The method of delivery of this Letter of Transmittal, certificates for Notes and all other required documents to the Depositary is at the election and risk of holders. If such delivery is to be made by mail, it is suggested that holders use properly insured registered mail, return receipt requested, and that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the Depositary prior to such date. Except as otherwise provided below, the delivery will be deemed made when actually received or confirmed by the Depositary. THIS LETTER OF TRANSMITTAL AND NOTES SHOULD BE SENT ONLY TO THE DEPOSITARY, AND NOT TO THE COMPANY.

This Letter of Transmittal is also being supplied for informational purposes only to persons who hold notes in book-entry form through the facilities of DTC. Tender of Notes held through DTC must be made pursuant to the procedures described under "Procedures for Tendering Notes --Tendering Notes-- Notes held through DTC" in the Offer to Purchase.

Except as provided herein for the book-entry or guaranteed delivery procedures, unless the Notes being tendered are deposited with the Depositary on or prior to the Expiration Date (accompanied by the appropriate, properly completed and duly executed Letter of Transmittal and any required signature guarantees and other documents required by this Letter of Transmittal), the Company may, in its sole discretion, reject such tender. Payment for Notes will be made only against deposit of tendered Notes.

By executing this Letter of Transmittal (or a facsimile thereof), a tendering holder waives any right to receive any notice of the acceptance for payment of tendered Notes.

For a full description of the procedures for tendering Notes, see "Procedures for Tendering Notes--Tendering Notes" in the Offer to Purchase.

If a holder desires to tender Notes pursuant to the Offer and (i) certificates representing such holder's Notes are not lost but are not immediately available or time will not permit this Letter of Transmittal, certificates representing Notes or other required documents to reach the Depositary on or prior to the Expiration Date or (ii) the procedures for book-entry transfer cannot be completed on or prior to the Expiration Date, such holder may effect a tender of such Notes in accordance with the guaranteed delivery procedures described under "Procedures for Tendering Notes-- Guaranteed Delivery Procedures" in the Offer to Purchase.

Tenders of Notes may be withdrawn at any time prior to the Expiration Date pursuant to the procedures described under "Procedures For Tendering Notes --Withdrawal Rights" in the Offer to Purchase.

2. PARTIAL TENDERS. Tenders of Notes pursuant to the Offer will be accepted only in principal amounts equal to $1,000 or integral multiples thereof. If less than the entire principal amount of any Notes evidenced by a submitted certificate is tendered, the tendering holder must fill in the principal amount tendered in the last column of the box entitled "Description of Notes" herein. The entire principal amount represented by the certificates for all Notes delivered to the Depositary will be deemed to have been tendered unless otherwise indicated. If the entire principal amount of all Notes is not tendered, certificates for the principal amount of Notes not tendered will be sent to the holder unless otherwise provided in the appropriate box on this Letter of Transmittal (see Instruction 4), promptly after the Notes are accepted for purchase.

3. SIGNATURES ON THIS LETTER OF TRANSMITTAL, BOND POWERS AND ENDORSEMENT;

GUARANTEE OF SIGNATURES. If this Letter of Transmittal is signed by the registered holder(s) of the Notes tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change whatsoever.

IF THIS LETTER OF TRANSMITTAL IS EXECUTED BY A HOLDER OF NOTES WHO IS NOT THE REGISTERED HOLDER, THEN THE REGISTERED HOLDER MUST SIGN A VALID POWER OF ATTORNEY, WITH THE SIGNATURE OF SUCH REGISTERED HOLDER GUARANTEED BY AN ELIGIBLE INSTITUTION.

If any of the Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal. If any tendered Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many copies of this Letter of Transmittal and any necessary accompanying documents as there are different names in which certificates are held.

If this Letter of Transmittal is signed by the holder, and the certificates for any principal amount of Notes not tendered for purchase are to be issued (or if a principal amount of Notes that is not tendered for purchase is to be reissued or returned) to the holder, and checks constituting payments for Notes to be purchased in connection with the Offer are to be issued to the order of the holder, then the holder need not endorse any certificates for tendered Notes nor provide a separate bond power. In any other case (including if this Letter of Transmittal is not signed by the holder), the holder must either properly endorse the certificates for Notes tendered or transmit a separate properly completed bond power with this Letter of Transmittal (in either case, executed exactly as the name(s) of the registered holder(s) appear(s) on such Notes), with the signature on the endorsement or bond power guaranteed by an Eligible Institution, unless such certificates or bond powers are executed by an Eligible Institution.

If this Letter of Transmittal or any certificates representing Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and proper evidence satisfactory to the Company of their authority so to act must be submitted with this Letter of Transmittal.

Endorsements on certificates for Notes and signatures on bond powers provided in accordance with this Instruction 3 by registered holders not executing this Letter of Transmittal must be guaranteed by an Eligible Institution.

No signature guarantee is required if: (i) this Letter of Transmittal is signed by the registered holder(s) of the Notes tendered herewith and the payments for the Notes to be purchased are to be made, or any Notes for principal amounts not tendered for purchase are to be issued, directly to such registered holder(s) and neither the "Special Issuance Instructions" box nor the "Special Delivery Instructions" box of this Letter of Transmittal has been completed; or (ii) such Notes are tendered for the account of an Eligible Institution. In all other cases, all signatures on Letters of Transmittal accompanying Notes must be guaranteed by an Eligible Institution.

4. SPECIAL ISSUANCE AND SPECIAL DELIVERY INSTRUCTIONS. Tendering holders should indicate in the applicable box or boxes the name and address to which Notes for principal amounts not tendered or not accepted for purchase or checks constituting payments for Notes to be purchased in connection with the Offer are to be issued or sent, if different from the name and address of the holder signing this Letter of Transmittal. In the case of issuance in a different name, the taxpayer identification or social security number of the person named must also be indicated. If no instructions are given, Notes not tendered or not accepted for purchase will be returned to the holder of the Notes tendered.

5. TAXPAYER IDENTIFICATION NUMBER AND SUBSTITUTE FORM W-9. Each tendering holder is required to provide the Depositary with the holder's correct taxpayer identification number ("TIN"), generally the holder's social security or federal employer identification number, on Substitute Form W-9, which is provided under "Important Tax Information" below, or, alternatively, to establish another basis for exemption from backup withholding. A holder must cross out item (2) in the Certification box on Substitute Form W-9 if such holder is subject to backup withholding. Failure to provide the information on the form may subject the tendering holder to 31% federal income tax backup withholding on the payments

made to the holder or other payee with respect to Notes purchased pursuant to the Offer. The box in Part 3 of the form should be checked if the tendering holder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 3 is checked and the Depositary is not provided with a TIN within 60 days, thereafter the Depositary will withhold 31% from all such payments with respect to the Notes to be purchased until a TIN is provided to the Depositary.

6. TRANSFER TAXES. The Company will pay all transfer taxes, if any, payable on the purchase and transfer of Notes purchased pursuant to the Offer, except in the case of deliveries of certificates for Notes for principal amounts not tendered for payment that are to be registered or issued in the name of any person other than the holder of Notes tendered hereby, in which case the amount of any transfer taxes (whether imposed on the registered holder or such other person) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes or exemption therefrom is submitted.

Except as provided in this Instruction 6, it will not be necessary for transfer stamps to be affixed to the certificates listed in this Letter of Transmittal.

7. IRREGULARITIES. All questions as to the validity, form, eligibility (including the time of receipt) and acceptance for payment of any tenders of Notes pursuant to the procedures described in the Offer to Purchase and the form and validity (including the time of receipt of notices of withdrawal) of all documents will be determined by the Company, in its sole discretion, which determination shall be final and binding on all parties. The Company reserves the absolute right to reject any or all tenders determined by it not to be in proper form or the acceptance of or payment for which may be unlawful. The Company also reserves the absolute right to waive any of the conditions of the Offer and any defect or irregularity in the tender of any particular Notes. The Company's interpretations of the terms and conditions of the Offer (including without limitation the instructions in this Letter of Transmittal) shall be final and binding. No alternative, conditional or contingent tenders will be accepted. Unless waived, any irregularities in connection with tenders must be cured within such time as the Company shall determine. None of the Company, the Depositary or any other person will be under any duty to give notification of any defects or irregularities in such tenders or will incur any liability to holders for failure to give such notification. Tenders of such Notes shall not be deemed to have been made until such irregularities have been cured or waived. Any Notes received by the Depositary that are not properly tendered and as to which the irregularities have not been cured or waived will be returned by the Depositary to the tendering holders, unless such holders have otherwise provided herein, as promptly as practical following the Expiration Date.

8. MUTILATED, LOST, STOLEN OR DESTROYED CERTIFICATES FOR NOTES. Any holder of Notes whose certificates for Notes have been mutilated, lost, stolen or destroyed should contact the Depositary for further instruction at the address or telephone numbers included herein.

9. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions relating to the procedure for tendering Notes and requests for assistance or additional copies of the Offer to Purchase and this Letter of Transmittal may be directed to, and additional information about the Offer may be obtained from, the Depositary, whose address and telephone number appears on the first page of this Letter of Transmittal.

IMPORTANT TAX INFORMATION

Under federal income tax laws, a holder whose tendered Notes are accepted for payment is required by law to provide the Depositary (as payer) with such holder's correct TIN on Substitute Form W-9 included herein or otherwise establish a basis for exemption from backup withholding. If such holder is an individual, the TIN is his social security number. If the Depositary is not provided with the correct TIN, a penalty may be imposed by the Internal Revenue Service, and payments made with respect to Notes purchased pursuant to the Offer may be subject to backup withholding. Failure to comply truthfully with the backup withholding requirements also may result in the imposition of severe criminal and/or civil fines and penalties.

Certain holders (including, among others, all corporations and certain foreign persons) are not subject to these backup withholding and reporting

requirements. Exempt holders should furnish their TIN, write "Exempt" on the face of the Substitute Form W-9, and sign, date and return the Substitute Form W-9 to the Depositary. A foreign person, including a foreign entity, may qualify as an exempt recipient by submitting to the Depositary a properly completed Internal Revenue Service Form W-8 BEN or other appropriate Form W-8, signed under penalties of perjury, attesting to that holder's foreign status. A Form W-8 can be obtained from the Depositary. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions.

If backup withholding applies, the Depositary is required to withhold 31% of any payments made to the holder or other payee. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments made with respect to Notes purchased pursuant to the Offer, the holder is required to provide the Depositary with either: (i) the holder's correct TIN by completing the form included herein, certifying that the TIN provided on Substitute Form W-9 is correct (or that such holder is awaiting a TIN) and that (A) the holder has not been notified by the Internal Revenue Service that the holder is subject to backup withholding as a result of failure to report all interest or dividends or (B) the Internal Revenue Service has notified the holder that the holder is no longer subject to backup withholding; or (ii) an adequate basis for exemption.

NUMBER TO GIVE THE DEPOSITARY

The holder is required to give the Depositary the TIN (e.g., social security number or employer identification number) of the registered holder of the Notes. If the Notes are held in more than one name or are held not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

PAYER'S NAME: SUNTRUST BANK, CENTRAL FLORIDA, NATIONAL ASSOCIATION, AS DEPOSITARY		
SUBSTITUTE FORM W-9 PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)	PART 1: Please provide your TIN in the box at right and certify by signing and dating below	Social Security Number OR Employer Identification Number
	PART 2: For Payees NOT subject to backup withholding, see the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 and complete as instructed therein	
	PART 3: Awaiting TIN / /	

CERTIFICATION. Under penalty of perjury, I certify that:

(1) the number above on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me) and

(2) I am not subject to backup withholding either because (a) I am exempt from backup withholding or (b) I have not been notified by the IRS that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

CERTIFICATION INSTRUCTIONS. You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting of interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding, you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). (Also see the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9)

Signature Date

Name:

(PLEASE PRINT)

Address:

(INCLUDE ZIP CODE)

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER AND THE SOLICITATION. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate IRS Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number within sixty (60) days, 31% of all reportable payments made to me thereafter will be withheld until I provide a taxpayer identification number.

_____

SIGNATURE

_____

DATE

_____

NAME (PLEASE PRINT)

_____

Facsimile copies of this Letter of Transmittal, properly completed and duly executed, will be accepted. This Letter of Transmittal, certificates for the Notes and any other required documents should be sent or delivered by each holder of Notes or such person's broker, dealer, commercial bank or other nominee to the Depositary at the address set forth above.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYOR. -- Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payor.

FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF--	FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF--
1. An individual's account	The individual	9. A valid trust, estate, or pension trust	The legal entity (Do not furnish the identifying number of the personal
2. Two or more individuals (joint account)	The actual owner of the		

	account or, if combined funds, any one of the individuals(1)		representative or trustee unless the legal entity itself is not designated in the account title.)(5)
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person(1)	10. Corporate account	The corporation
		11. Religious, charitable, or educational organization account	The organization
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)	12. Partnership account held in the name of the business	The partnership
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)	13. Association, club, or other tax-exempt organization	The organization
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person(3)	14. A broker or registered nominee	The broker or nominee
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)	15. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity
b. So-called trust account that is not a legal or valid trust under State law	The actual owner(1)		
8. Sole proprietorship account	The owner(4)		

(1) List first and circle the name of the person whose number you furnish.

(2) Circle the minor's name and furnish the minor's social security number.

(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.

(4) Show the name of the owner.

(5) List first and circle the name of the legal trust, estate, or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9
PAGE 2

OBTAINING A NUMBER

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for an Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service (the "IRS") and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempted from backup withholding on ALL payments include the following:

- A corporation.
- A financial institution.
- An organization exempt from the tax under section 501(a), or an individual retirement plan.
- The United States or any agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.

- An international organization or any agency, or instrumentality thereof.

- A registered dealer in securities or commodities registered in the United States or a possession of the United States.

- A real estate investment trust.

- A common trust fund operated by a bank under section 584(a) of the Internal Revenue Code of 1986, as amended (the "Code").

- An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1) of the Code.

- An entity registered at all times under the Investment Company Act of 1940.

- A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441 of the Code.

- Payments to partnerships not engaged in a trade or business in the United States and which have at least one nonresident partner.

- Payments of patronage dividends where the amount received is not paid in money.

- Payments made by certain foreign organizations.

- Payments made to a nominee.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payor's trade or business and you have not provided your correct taxpayer identification number to the payor.

- Payments of tax-exempt interest (including exempt-interest dividends under section 852 of the Code).

- Payments described in section 6049(b)(5) of the Code to nonresident aliens.

- Payments on tax-free covenant bonds under section 1451 of the Code.

- Payments made by certain foreign organizations.

- Payments made to a nominee.

Exempt payees described above should file a Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYOR, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYOR. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A of the Code.

PRIVACY ACT NOTICE.--Section 6109 of the Code requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the numbers for identification purposes. Payors must be given the numbers whether or not recipients are required to file tax returns. Beginning January 1, 1993, payors must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payor. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER.--If you fail

to furnish your taxpayer identification number to a payor, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) PENALTY FOR FAILURE TO REPORT CERTAIN DIVIDEND AND INTEREST PAYMENTS.--If you fail to include any portion of an includible payment for interest, dividends, or patronage dividends in gross income and such failure is due to negligence, a penalty of 20% is imposed on any portion of an underpayment attributable to that failure.

(3) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(4)CRIMINAL PENALTY FOR FALSIFYING INFORMATION.--Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

EXHIBIT 99.(A)(3)

NOTICE OF GUARANTEED DELIVERY
FOR TENDER OF CERTIFICATES FOR
8 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004
OF
KTI, INC.

Capitalized terms used but not defined herein have the meanings given them in the Offer to Purchase, dated January 24, 2000 (the "Offer to Purchase").

This Notice of Guaranteed Delivery may be used to cause a tender of 8 3/4% Convertible Subordinated Debentures due 2004 of KTI, Inc. (the "Notes") by (i) a record holder of Notes if certificates for the Notes are not immediately available or time will not permit all required documents to reach the Depositary on or prior to the Expiration Date or (ii) by a DTC Participant if the procedures for book-entry transfer described in the Offer to Purchase cannot be completed on a timely basis.

The Depositary for the Offer is:

SUNTRUST BANK
225 EAST ROBINSON STREET, SUITE 250
ORLANDO, FLORIDA 32801
TELECOPY: (407)237-5299
ATTENTION: MS. LISA DERRYBERRY
TELEPHONE: (407) 237-4791

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY.

SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE OFFER TO PURCHASE, THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON MARCH 3, 2000, UNLESS EXTENDED (THE "EXPIRATION DATE"). NOTES TENDERED IN THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE CLOSE OF BUSINESS ON THE BUSINESS DAY FOLLOWING THE EXPIRATION DATE.

LADIES AND GENTLEMEN:

By execution hereof, the undersigned acknowledges receipt of the Offer to Purchase and the Letter of Transmittal. On the terms and subject to the conditions of the Offer to Purchase and the Letter of Transmittal, the undersigned hereby represents that it is the holder of the Notes (or the holder of interests in the Global Note) being tendered (or caused to be tendered) hereby and is entitled to tender (or cause to be tendered) such Notes as contemplated by the Offer and, pursuant to the guaranteed delivery procedures described in the Offer to Purchase and Letter of Transmittal, hereby tenders (or causes a tender) to the Company the aggregate principal amount of Notes indicated below.

Except as stated in the Offer to Purchase, all authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

A record holder must execute this Notice of Guaranteed Delivery exactly as its name appears on its Notes and a DTC Participant must execute this Notice of Guaranteed Delivery exactly as its name is registered with DTC. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, such person must set forth his or her name, address and capacity as indicated below and submit evidence to the Company of such person's authority so to act.

Signed _____

Name(s): _____
(PLEASE TYPE OR PRINT)

Company: _____

Capacity: _____

Address: _____

Dated: _____

Aggregate Principal Amount of Notes Tendered: _____

Certificate Nos. for Notes (if applicable):

If being executed by a DTC Participant:

DTC Participant's Number: _____

Account Number: _____

Transaction Code Number: _____

THE GUARANTEE ON THE NEXT PAGE MUST BE COMPLETED

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States or another "Eligible Guarantor Institution" as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, hereby guarantees that, within three New York Stock Exchange trading days from the date of receipt by the Depositary of this Notice of Guaranteed Delivery, a properly completed and validly executed Letter of Transmittal (or a facsimile thereof), together with Notes tendered hereby in proper form for transfer (or confirmation of the book-entry transfer of such Notes into the Depositary's account at the Depositary Trust Company, pursuant to the procedures for book-entry transfer set forth under "Procedure for Tendering Notes" in the Offer to Purchase), and all other required documents will be delivered by the undersigned to the Depositary.

Name of Firm:

AUTHORIZED SIGNATURE

Address:

Name:
(PLEASE TYPE OR PRINT)

Title:

ZIP CODE

Date:

Area Code and Telephone No.:

The institution which completes this form must deliver to the Depositary the guarantee, the Letter of Transmittal (or facsimile thereof) and certificates for Notes within the time periods specified herein. Failure to do so could result in a financial loss to such institution.

DO NOT SEND CERTIFICATES FOR NOTES WITH THIS FORM--THEY SHOULD BE SENT WITH THE LETTER OF TRANSMITTAL.

EXHIBIT 99.(A)(4)

KTI, INC.
OFFER TO PURCHASE FOR CASH ANY AND ALL OF THE OUTSTANDING 8 3/4%
CONVERTIBLE SUBORDINATED NOTES DUE 2004 OF KTI, INC.
AT 100% OF THE PRINCIPAL AMOUNT OF THE NOTES

SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE OFFER TO PURCHASE, THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON MARCH 3, 2000 UNLESS EXTENDED (THE "EXPIRATION DATE"). NOTES TENDERED IN THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE CLOSE OF BUSINESS ON THE BUSINESS DAY FOLLOWING THE EXPIRATION DATE.

January 24, 2000

To Our Clients:

Enclosed for your consideration is an Offer to Purchase, dated January 24, 2000 (as the same may be amended from time to time, the "Offer to Purchase"), and a Letter of Transmittal and instructions thereto (the "Letter of Transmittal"), relating to the offer (the "Offer") by KTI, Inc. (the "Company") to purchase for cash all of its outstanding 8 3/4% Convertible Subordinated Debentures due 2004 (the "Notes") at 100% of the principal amount thereof, plus accrued and unpaid interest thereon up to but excluding the date of payment.

The materials are being forwarded to you as the beneficial owner of Notes carried by us for your account or benefit but not registered in your name. A tender of any Notes may only be made by us as the registered holder and pursuant to your instructions.

Accordingly, we request instructions as to whether you wish us to tender any or all such Notes held by us for your account or benefit pursuant to the terms and conditions set forth in the Offer to Purchase and the Letter of Transmittal. We urge you to read carefully the Offer to Purchase and Letter of Transmittal before instructing us to tender your Notes.

Your instructions to us should be forwarded as promptly as possible in order to permit us to tender Notes on your behalf in accordance with the provisions of the Offer. Notes tendered pursuant to the Offer may be validly withdrawn, subject to the procedures described in the Offer to Purchase, at any time prior to the close of business on the business day following the Expiration Date.

Your attention is directed to the following:

1. The Offer is for all outstanding Notes.

2. The Offer will expire on the Expiration Date.

3. Any transfer taxes incident to the transfer of Notes from the tendering holder to the Company will be paid by the Company, except as provided in the Offer to Purchase and the instructions to the Letter of Transmittal.

If you wish to have us tender any or all of your Notes held by us for your account or benefit, please so instruct us by completing, executing and returning to us the instruction form that appears below. If you authorize the tender of your Notes, all such Notes will be tendered unless otherwise specified below. The accompanying Letter of Transmittal is furnished to you for informational purposes only and may not be used by you to tender Notes held by us and registered in our name for your account or benefit.

INSTRUCTIONS

The undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein relating to the Offer.

This will instruct you to tender the principal amount of Notes indicated below held by you for the account or benefit of the undersigned pursuant to the terms of and conditions set forth in the Offer to Purchase and the Letter of Transmittal.

Box 1 / / Please tender ALL my Notes held by you for my account or benefit.

Box 2 / / Please tender LESS than all my Notes. I wish to tender $ principal amount of Notes (tenders must be in increments of $1,000 principal amount).

Box 3 / / Please do not tender any Notes held by you for my account or benefit.

Date: _____

Signature: _____

Name (please print): _____

UNLESS A SPECIFIC CONTRARY INSTRUCTION IS GIVEN, YOUR SIGNATURE(S) HEREON SHALL CONSTITUTE AN INSTRUCTION TO US TO TENDER ALL OF YOUR NOTES.

EXHIBIT (A)(5)

KTI, INC.

OFFER TO PURCHASE FOR CASH ANY AND ALL OF THE OUTSTANDING
8 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2004 OF KTI, INC.
AT 100% OF THE PRINCIPAL AMOUNT OF THE NOTES

SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE OFFER TO PURCHASE, THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON MARCH 3, 2000 UNLESS EXTENDED (THE "EXPIRATION DATE"). NOTES TENDERED IN THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE CLOSE OF BUSINESS ON THE BUSINESS DAY FOLLOWING THE EXPIRATION DATE.

JANUARY 24, 2000

To Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees:

Enclosed for your consideration is an Offer to Purchase, dated January 24, 2000 (as the same may be amended from time to time, the "Offer to Purchase"), and a form of Letter of Transmittal and instructions thereto (the "Letter of Transmittal") relating to the offer (the "Offer") by KTI, Inc. (the "Company") to purchase for cash all of the outstanding 8 3/4% Convertible Subordinated Debentures due 2004 of the Company (the "Notes") at 100% of the principal amount thereof, plus accrued and unpaid interest thereon up to but excluding the date of payment.

We are asking you to contact your clients for whom you hold Notes registered in your name or in the name of your nominee. In addition, we ask you to contact your clients who, to your knowledge, hold Notes registered in their own name. You will be reimbursed by the Company for customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. The Company will pay all transfer taxes, if any, applicable to the tender of Notes, except as otherwise provided in the Offer to Purchase and the Letter of Transmittal.

Enclosed is a copy of each of the following documents for forwarding to your clients:

1. The Offer to Purchase.

2. A Letter of Transmittal, including Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9, for your use in connection with the tender of Notes by record holders and for the information of your clients.

3. A form of letter addressed "To Our Clients" that may be sent to your clients for whose accounts you hold Notes registered in your name or the name of your nominee, with space provided for obtaining the clients' instructions with regard to the Offer.

4. A Notice of Guaranteed Delivery to be used to accept the Offer if certificates for Notes are not lost but not immediately available, or if the procedure for book-entry transfer cannot be completed on or prior to the Expiration Date.

Your prompt action is requested. Notes tendered pursuant to the Offer may be validly withdrawn, subject to the procedures described in the Offer to Purchase, at any time prior to the Expiration Date.

Please refer to "Procedures for Tendering Notes" in the Offer to Purchase for a description of the procedures which must be followed to tender Notes in the Offer.

Additional copies of the enclosed materials may be obtained from Lisa Derryberry at SunTrust Bank, the Depositary for the Offer, at (407) 237-4791.

Very truly yours,

KTI, Inc.

NOTHING HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE COMPANY, THE TRUSTEE, OR THE DEPOSITARY, OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE ANY STATEMENTS ON BEHALF OF ANY OF THEM WITH RESPECT TO THE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE OFFER TO PURCHASE OR THE LETTER OF TRANSMITTAL.

Exhibit 99(b)

AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT

DATED AS OF DECEMBER 14, 1999

BY AND AMONG

CASELLA WASTE SYSTEMS, INC.,

AND ITS SUBSIDIARIES (OTHER THAN EXCLUDED SUBSIDIARIES)

AND

FINANCIAL INSTITUTIONS

PARTY HERETO (THE "BANKS")

AND

BANKBOSTON, NA., AS ADMINISTRATIVE AGENT

KEYBANK NATIONAL ASSOCIATION, AS DOCUMENTATION AGENT
BANK OF AMERICA, N.A., AS SYNDICATION AGENT

WITH

BANCBOSTON ROBERTSON STEPHENS INC.,

ACTING AS ARRANGER

AND

CANADIAN IMPERIAL BANK OF COMMERCE, AS CANADIAN AGENT

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EXHIBITS

SCHEDULES

AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT

This AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT is made as of the 14th day of December, 1999 by and among CASELLA WASTE SYSTEMS, INC., a Delaware corporation (the "Parent"), its Subsidiaries (other than the Excluded Subsidiaries) listed on SCHEDULE 1 hereto (the Parent and such Subsidiaries herein collectively referred to as the "Borrowers"), each of which Borrowers (unless otherwise listed on SCHEDULE 1 hereto) having its principal place of business at 25 Greens Hill Lane, Rutland, Vermont and BANKBOSTON, N.A., ("BankBoston"), a national banking association having its principal place of business at 100 Federal Street, Boston, Massachusetts 02110, KEYBANK NATIONAL ASSOCIATION ("KeyBank"), individually and as Documentation Agent, BANK OF AMERICA, N.A. ("BOA"), individually and as Syndication Agent, COMERICA BANK, LASALLE BANK NATIONAL ASSOCIATION, CREDIT LYONNAIS, FIRST VERMONT BANK AND TRUST COMPANY, CIBC, INC. and CANADIAN IMPERIAL BANK OF COMMERCE ("CIBC Canada"), a Canadian chartered bank (acting in its individual capacity), and such banks or other financial institutions which may become a party hereto pursuant to Section 19 hereof (the "Banks"), BANKBOSTon as Administrative Agent for the Banks (the "Administrative Agent"), and CIBC CANADA as the Canadian Agent (the "Canadian Agent", and together with the Administrative Agent, the "Bank Agents").

WHEREAS, certain of the Domestic Borrowers (as defined below), BankBoston, USTrust, KeyBank, BOA, Comerica Bank and the Administrative Agent are parties to that certain Amended and Restated Revolving Credit Agreement dated as of January 12, 1998 (the "January 1998 Credit Agreement"), pursuant to which such Banks agreed to make loans to the Domestic Borrowers as set forth therein;

WHEREAS, the parties to this Agreement wish to increase the Total Commitment, add a term loan facility and a Canadian facility, add new Banks and replace an existing Bank;

WHEREAS, the Borrowers have requested, and the Banks and the Administrative Agent have agreed to amend and restate the January 1998 Credit Agreement in its entirety as set forth herein;

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. DEFINITIONS AND RULES OF INTERPRETATION.

Section 1.1. DEFINITIONS. The following terms shall have the meanings set forth in this Section 1 or elsewhere in the provisions of this Agreement referred to below:

AAR. American Ash Recycling of Tennessee, Ltd., a Tennessee limited partnership of which KTI owns a 50% limited partnership interest.

ACCEPTANCE FEE. See Section 3.3.

ACCOUNTANTS. See Section 6.4(a).

ACQUIRED BUSINESS See definition of EBITDA.

ADMINISTRATIVE AGENT. BankBoston acting as administrative agent for the Banks.

ADMINISTRATIVE AGENT'S HEAD OFFICE. The Administrative Agent's head office is located at 100 Federal Street, Boston, Massachusetts 02110, or at such other location as the Administrative Agent may designate from time to time.

AGREEMENT. This Amended and Restated Revolving Credit and Term Loan Agreement, including the Schedules and Exhibits hereto.

APPLICABLE BA DISCOUNT RATE. As applicable to a Bankers' Acceptance being purchased by any Canadian Bank on any day, the percentage discount rate (expressed to two decimal places and rounded upward, if necessary, to the nearest 1/100th of 1%) quoted by the Canadian Agent as the percentage discount rate at which the Canadian Agent would, in accordance with normal practice, at or about 10:00 a.m. (Boston time), on such day, be prepared to purchase bankers' acceptances to be accepted by such Canadian Bank in an amount and having a maturity date comparable to the amount and maturity date of such Bankers' Acceptance.

APPLICABLE CANADIAN PENSION LEGISLATION. At any time, any pension or retirement benefits legislation (be it federal, provincial, territorial, or otherwise) then applicable to any of the Canadian Borrowers, including the Pension Benefits Act (Ontario), the Income Tax Act (Canada), and all regulations made thereunder.

APPLICABLE LAWS. See Section 7.10.

APPLICABLE RATE. The applicable rate per annum set forth in the following table:

LEVEL	PRICING RATIO	APPLICABLE RATE FOR REVOLVING CREDIT BASE RATE LOANS	APPLICABLE RATE FOR REVOLVING CREDIT EURODOLLAR RATE LOANS	APPLICABLE RATE FOR CANADIAN BASE RATE LOANS	APPLICABLE RATE FOR CANADIAN PRIME RATE LOANS	APPLICABLE FACILITY FEE RATE
I	less than 2.50:1	Base Rate plus 0.125% per annum	Eurodollar Rate plus 1.625% per annum	Canadian Base Rate plus 0.125% per annum	Canadian Prime Rate plus 0.125% per annum	0.375%
II	greater than or equal to 2.50:1 and less than 3.00:1	Base Rate plus 0.375% per annum	Eurodollar Rate plus 1.875% per annum	Canadian Base Rate plus 0.375% per annum	Canadian Prime Rate plus 0.375% per annum	0.375%
III	greater than or equal to 3.00:1 and less than 3.50:1	Base Rate plus 0.500% per annum	Eurodollar Rate plus 2.000% per annum	Canadian Base Rate plus 0.500% per annum	Canadian Prime Rate plus 0.500% per annum	0.500%
IV	greater	Base Rate plus	Eurodollar Rate	Canadian Base	Canadian Prime Rate	0.500%

than or equal to 3.50:1 and less than 4.00:1	0.750% per annum	plus 2.250% per annum	Rate plus 0.750% per annum	plus 0.750% per annum

Each Applicable Rate shall become effective on the first day after receipt by the Banks of financial statements delivered pursuant to Sections 7.4(a) or (b) hereof which indicate a change in the Pricing Ratio and in the Applicable Rate in accordance with the above table, PROVIDED that for the period from the Effective Date through six (6) months from the Effective Date, the Applicable Rate shall be Level IV. If at any time the financial statements required to be delivered pursuant Sections 7.4(a) or (b) hereof are not delivered within 10 days

after the time periods specified in such subsections, the Applicable Rate shall be the rate set forth for Level IV, subject to adjustment upon actual receipt of such financial statements. In the event that after the Effective Date and by March 31, 2000, the Parent shall have received Net Equity Proceeds of at least $100,000,000 from the Equity Offering, the Applicable Rate for Loans across all Levels in the above table and the Acceptance Fee for Bankers' Acceptances will be reduced by 0.250%, provided that under no circumstance shall the Applicable Rate for Base Rate Loans, Canadian Base Rate Loans or Canadian Prime Rate Loans be less than the Base Rate, Canadian Base Rate or Canadian Prime Rate, as applicable.

APPLICABLE SWING LINE RATE. The Applicable Rate set forth for Base Rate Loans.

ARRANGER. BancBoston Robertson Stephens Inc., acting as Arranger.

BA DISCOUNT PROCEEDS. With respect to any Bankers' Acceptance to be accepted and purchased by a Canadian Bank, an amount (rounded to the nearest whole Canadian cent, and with one-half of one Canadian cent being rounded up) calculated on such day by multiplying (a) the face amount of such Bankers' Acceptance TIMES (b) the quotient equal to (such quotient being rounded up or down to the nearest fifth decimal place and .000005 being rounded up) (i) one DIVIDED BY (ii) the sum of (A) one PLUS (B) the product of (1) the Applicable BA Discount Rate (expressed as a decimal) applicable to such Bankers' Acceptance TIMES (2) the quotient equal to (aa) the number of days remaining in the term of such Bankers' Acceptance DIVIDED BY (bb) 365.

BALANCE SHEET DATE. April 30, 1999.

BANGOR WARRANTS. 713,000 warrants for Bangor Hydro common stock at an exercise price of $5.35, held by ---------- -------- KTI.

BANK AGENTS. The Administrative Agent and the Canadian Agent.

BANKBOSTON. See preamble.

BANKERS' ACCEPTANCE OR BA. A bill of exchange denominated in Canadian Dollars drawn by the Canadian Borrowers on and accepted by a Canadian Bank pursuant to Section 3 hereof, and for greater certainty, and provided the applicable Canadian Bank elects to use a clearing house as contemplated by the DEPOSITORY BILLS AND NOTES ACT (S.C. 1998 c.13), "Bankers' Acceptance" shall mean a depository bill (as defined therein) in Canadian Dollars signed by the Canadian Borrower and accepted by the Canadian Bank. Drafts that become depository bills may nevertheless be

referred to herein as "drafts".

BANKERS' ACCEPTANCE NOTICE. See Section 3.1.

BANKS. Collectively, the Canadian Banks and the Domestic Banks.

BASE RATE. The higher of (a) the annual rate of interest announced from time to time by the Administrative Agent at its head office in Boston, Massachusetts, as its "base rate" (it being understood that such rate is a reference rate and not necessarily the lowest rate of interest charged by the Bank) or (b) one-half of one percent (1/2%) above the overnight federal funds effective rate, as published by the Board of Governors of the Federal Reserve

System, as in effect from time to time.

BASE RATE LOANS. Domestic Loans bearing interest calculated by reference to the Base Rate.

BOA. See preamble.

BORROWERS. The Domestic Borrowers, jointly and severally, with respect to Domestic Loans and Domestic Letters of Credit, and each of the Canadian Borrowers, jointly and severally, to the fullest extent permitted by law, with respect to Canadian Loans, Canadian Letters of Credit and Bankers' Acceptances.

BUSINESS DAY. Any day on which banking institutions in Boston, Massachusetts are open for the transaction of banking business, and, in the case of (a) Eurodollar Rate Loans, also a day which is a Eurodollar Business Day, and (b) Canadian Loans or Bankers' Acceptances, also a day which is a Canadian Business Day.

CANADIAN AGENT. See Preamble.

CANADIAN AGENT'S HEAD OFFICE. The Canadian Agent's head office located in Toronto, Ontario, or at such other location as the Canadian Agent may designate from time to time.

CANADIAN BANKS. The Banks set forth on SCHEDULE 3 and any other Eligible Canadian Assignee who becomes an assignee of any rights and obligations of a Canadian Bank pursuant to Section 19, acting in their role as makers of Canadian Loans or as participants with respect to Canadian Letters of Credit or purchasers of Bankers' Acceptances, none of which Banks shall be a non-resident for purposes of the Income Tax Act (Canada).

CANADIAN BASE RATE. The higher of (a) the annual rate of interest

announced from time to time by the Canadian Agent as its "prime rate" for US$ commercial loans to borrowers in Canada (it being understood that such rate is a reference rate and not necessarily the lowest rate of interest charged by the Canadian Agent), or (b) one-half of one percent (1/2%) above the Overnight Federal Funds Effective Rate.

CANADIAN BASE RATE LOAN. A Canadian Loan that accrues interest calculated by reference to the Canadian Base Rate.

CANADIAN BORROWERS. Initially, KTI Recycling of Canada, Inc., an Ontario corporation ("KTI Canada"), and 1316991 Ontario, Inc., an Ontario corporation, and from and after the date hereof, KTI Canada and any other Subsidiaries (other than Excluded Subsidiaries) which conduct all or substantially all of their business in Canada or which are incorporated under the laws of Canada or a province thereof.

CANADIAN BUSINESS DAY. Any day, other than a Saturday, Sunday or any day on which banking institutions in Toronto, Ontario are authorized by law to close.

CANADIAN COMMITMENT. With respect to each Canadian Bank, the amount determined by multiplying such Canadian Bank's Canadian Commitment Percentage by the aggregate amount of the Total Canadian Commitment specified in Section 2.1(b) hereof, as the same may be increased or reduced from time to time.

CANADIAN COMMITMENT PERCENTAGE. With respect to each Canadian Bank, the percentage initially set forth next to each such Canadian Bank on SCHEDULE 3 hereto, as the same may be adjusted in accordance with Section 2.2 or Section 19.

CANADIAN DOLLAR EQUIVALENT. With respect to an amount of U.S. Dollars on any date, the amount of Canadian Dollars that may be purchased with such amount of U.S. Dollars at the Exchange Rate with respect to U.S.

Dollars on such date.

CANADIAN DOLLARS OR C$. Dollars designated as lawful currency of Canada.

CANADIAN LETTERS OF CREDIT. Standby Letters of Credit issued or to be issued by the Issuing Bank under Section 4 hereof for the account of the Canadian Borrowers.

CANADIAN LOAN AND LETTER OF CREDIT REQUEST. See Section 2.6(b).

CANADIAN LOANS. Canadian Base Rate Loans and Canadian Prime Rate Loans advanced pursuant to Section 2.

CANADIAN NOTES. See Section 2.3(b).

CANADIAN OBLIGATIONS. All indebtedness, obligations and liabilities of the Canadian Borrowers to any of the Canadian Banks, the Bank Agents, or the Issuing Banks (with respect to Canadian Letters of Credit), individually or collectively, existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, arising or incurred under this Agreement or any of the other Loan Documents to which the Canadian Borrowers are party, or under any Swap Contract between the Canadian Borrowers and any Canadian Bank, or in respect of any of the Canadian Loans made, Reimbursement Obligations incurred in respect of Canadian Letters of Credit, any of the Letter of Credit Applications for Canadian Letters of Credit, the Canadian Letters of Credit, Bankers' Acceptances, the Canadian Notes or any other instrument at any time evidencing any thereof.

CANADIAN PLEDGE AGREEMENT. The pledge agreement among the Parent, its Canadian Subsidiaries and the Administrative Agent (in its capacity as Canadian collateral agent) in form and substance satisfactory to the Administrative Agent, as amended and in effect from time to time, and pursuant to which the capital stock of the Canadian Borrowers shall be pledged to the Administrative Agent for the benefit of the Banks, as further described in Section 12(d) and (e) hereof.

CANADIAN PRIME RATE. The higher of (a) the annual rate of interest announced from time to time by the Canadian Agent at its Head Office as its "prime rate" for C$ denominated commercial loans to borrowers in Canada (it being understood that such rate is a reference rate and not necessarily the lowest rate of interest charged by the Canadian Agent) or (b) the sum of (i) the CDOR Rate and (ii) 1% per annum.

CANADIAN PRIME RATE LOAN. A Canadian Loan funded in Canadian Dollars that accrues interest calculated by reference to the Canadian Prime Rate.

CANADIAN SECURITY AGREEMENT(S). Individually or collectively, the security agreements dated as of the Effective Date among KTI Canada, 1316991 Ontario, Inc. and the Administrative Agent (in its capacity as Canadian collateral agent) and any security agreement dated and delivered after the Effective Date among any other Canadian Borrower and the

Administrative Agent (in its capacity as Canadian collateral agent), as supplemented, amended and effective from time to time, securing the Canadian Obligations.

CAPITAL ASSETS. Fixed assets, both tangible (such as land, buildings, fixtures, machinery and equipment) and intangible (such as patents, copyrights, trademarks, franchises and good will); PROVIDED that Capital Assets shall not include any item customarily charged directly to expense or depreciated over a useful life of twelve (12) months or less in accordance with GAAP.

CAPITAL EXPENDITURES. Amounts paid or indebtedness incurred by any Person in connection with the purchase or lease by such Person of Capital Assets that would be required to be capitalized and shown on the balance sheet of such Person in accordance with GAAP.

CAPITALIZATION. See Section 9.4.

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

CDOR RATE. The annual rate of interest equal to the average 30 day rate applicable to Canadian bankers' acceptances appearing on the "Reuters Screen CDOR Page" (as defined in the International Swaps and Derivatives Association,

Inc. 1991 ISDA definitions, as modified and amended from time to time) as of 10:00 am. (Boston time) on such day, or if such day is not a Business Day, then on the immediately preceding Business Day; PROVIDED that if such rate does not appear on the Reuters' Screen CDOR Page as contemplated, then the CDOR Rate on any day shall be calculated as the arithmetic mean of the 30 day rates applicable to Canadian bankers' acceptances quoted by the Canadian Banks which are listed in Schedule I to the Bank Act (Canada) as of 10:00 a.m. (Boston time) on such day, or if such day is not a Business Day, then on the immediately preceding Business Day.

CERTIFIED. With respect to the financial statements of any Person, such statements as audited by a firm of independent auditors, whose report expresses the opinion, without qualification, that such financial statements present fairly the financial position of such Person.

CFO. See Section 7.4(b).

CIBC CANADA. See preamble.

CLINTON LEASE. The Operation, Management and Lease Agreement dated as of July 10, 1996 between the Parent and Clinton County, New York for the lease of the Clinton County Landfill and related assets.

CODE. The Internal Revenue Code of 1986, as amended and in effect from time to time.

COLLATERAL. All of the property, rights and interests of the Borrowers that are or are intended to be subject to the security interests and mortgages created by the Security Documents.

COMBINED FIRST QUARTER AMOUNT. See the definition of "Pricing Ratio".

COMMITMENT. With respect to each Bank, its Domestic Commitment and/or Canadian Commitment(s).

COMMITMENT PERCENTAGE. With respect to each Domestic Revolving Credit Bank, its Domestic Commitment Percentage, and with respect to each Canadian Bank, its Canadian Commitment Percentage.

COMPLIANCE CERTIFICATE. See Section 7.4(c).

CONSOLIDATED or CONSOLIDATED. With reference to any term defined herein, shall mean that term as applied to the accounts of the Borrowers consolidated in accordance with GAAP.

CONSOLIDATED EARNINGS BEFORE INTEREST AND TAXES OR EBIT. For any period, the Consolidated Net Income (or Deficit) of the Borrowers determined in accordance with GAAP, PLUS (a) interest expense, and (b) income tax expense.

CONSOLIDATED EARNINGS BEFORE INTEREST TAXES DEPRECIATION AND AMORTIZATION OR EBITDA. For any period, the Consolidated Net Income (or Deficit) of the Borrowers determined in accordance with GAAP, PLUS; to the extent that such charge was deducted in determining Consolidated Net Income (or Deficit) in the relevant period, (a) interest expense, (b) income taxes, (c) amortization expense, and (d) depreciation expense for such period, PLUS (e) EBITDA of the businesses acquired by any Borrower (through asset purchases or otherwise) (each an "Acquired Business"), but not including KTI, or the Subsidiaries of a Borrower acquired or formed during the period reported in the most recent financial statements delivered to the Banks pursuant to Section 7.4 (each a "New Subsidiary") shall be included in the calculation of EBITDA if (i) the Acquired Businesses or New Subsidiaries had

annual revenue of at least $5,000,000 for the most recent fiscal year ended, (ii) the Administrative Agent receives a letter in form and substance satisfactory to the Administrative Agent from the Borrowers' Accountants as to adjustments for non-recurring expenses, and (iii) (A) the financial statements of such Acquired Businesses or New Subsidiaries have been audited for the most recent fiscal year ended of such Acquired Businesses or New Subsidiaries, a portion of which fiscal year is sought to be included in the calculation of EBITDA, or (B) the Administrative Agent consents to such inclusion after being furnished with other acceptable financial statements, and, in each case, a Compliance Certificate and other reasonably appropriate documentation, in form and substance reasonably satisfactory to the Administrative Agent, with respect to the historical operating results and

balance sheet of such Acquired Businesses or New Subsidiaries (which information to the knowledge of the CFO is correct in all material respects) are provided to the Administrative Agent, (f) write off of existing financing charges not to exceed $1,600,000 in connection with existing Bank debt taken in the fiscal quarter ending January 31, 2000, (g) non-cash non-recurring charges related to a loss on asset sales or asset impairment charges related to KTI acceptable to the Administrative Agent not exceeding $5,000,000 in the aggregate taken in the four (4) fiscal quarters after the Effective Date (it being understood that such excluded charges shall be deemed non-cash charges until the period that cash disbursements attributable to such charges are made, at which point such excluded charges shall be deemed cash charges and deducted from Consolidated Net Income accordingly), (h) one-time charges relating to transaction costs of not more than $3,500,000 for acquisitions completed as poolings, PROVIDED that such costs are taken no later than the calendar quarter ended December 31, 2000, and (i) solely for the purposes of determining compliance with Section 9.5 hereof, the EBITDA of Excluded Subsidiaries.

CONSOLIDATED FUNDED INDEBTEDNESS. Collectively, without duplication, whether classified as Indebtedness, an Investment or otherwise on the Borrowers' consolidated balance sheet (excluding that portion of assets and liabilities or Investments of the Parent attributable to non-Borrowers, PROVIDED that such Investments are not guaranteed by any Borrower), (a) all indebtedness for borrowed money or credit obtained or other similar monetary obligations, direct or indirect, (b) all obligations evidenced by notes, bonds, debentures or other similar debt instruments (other than Performance Bonds), (c) any unpaid reimbursement obligations under any letter of credit, (d) all obligations, liabilities and indebtedness under Capitalized Leases which correspond to principal, and (e) guarantees of the Indebtedness of others referred to in clauses (a) through (d) above.

CONSOLIDATED NET INCOME (OR DEFICIT). The consolidated net income (or deficit) of the Borrowers after deduction of all expenses, taxes and proper charges determined in accordance with GAAP.

CONSOLIDATED TOTAL ASSETS. All assets of the Borrowers determined on a consolidated basis in accordance with GAAP.

CONSOLIDATED TOTAL INTEREST EXPENSE. For any period, the aggregate amount of interest expense required to be paid or accrued by the Borrowers during such period on all Indebtedness of the Borrowers outstanding during all or any part of such period, including capitalized interest expense for such period, but excluding therefrom the non-cash amortization of debt issuance costs.

CONSOLIDATED TOTAL LIABILITIES. All liabilities of the Borrowers determined on a consolidated basis in accordance with GAAP.

CONSULTING ENGINEER. An environmental consulting firm acceptable to the Banks.

CONVERSION REQUEST. A notice given by the Parent on behalf of the Borrowers to the applicable Bank Agent of such Borrowers' election to convert or continue a Loan in accordance with Section 5.13.

DEFAULT. See Section 13.

DE MINIMIS SUBSIDIARIES. Those Subsidiaries listed on Schedule 1 as "De Minimis Subsidiaries," PROVIDED that the aggregate assets, liabilities and/or annual gross revenues of all such Subsidiaries does not exceed $1,000,000.

DISPOSAL. See "Release".

DISTRIBUTION. The declaration or payment of any dividend on or in respect of any shares of any class of capital stock of any Person, other than dividends payable solely in shares of common stock of such Person; the purchase, redemption, or other retirement of any shares of any class of capital stock of such Person, directly or indirectly through a Subsidiary or otherwise; the return of capital by any Person to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of such Person.

DOLLARS, $, U.S. DOLLARS OR U.S.$. Dollars in lawful currency of the

United States of America.

DOMESTIC BANKS. The Banks set forth on SCHEDULE 2, acting in their role as makers of Domestic Loans or as participants with respect to Domestic Letters of Credit.

DOMESTIC BORROWERS. The Parent and its Subsidiaries (other than Excluded Subsidiaries) which conduct all or substantially all of their business in the United States or which are incorporated under the laws of the United States or a jurisdiction thereof.

DOMESTIC COMMITMENT. With respect to each Domestic Revolving Credit Bank, the amount determined by multiplying such Bank's Domestic Commitment Percentage by the Total Domestic Commitment, as the same may be reduced or reallocated hereunder from time to time, or if such commitment is terminated pursuant to the provisions hereof, zero.

DOMESTIC COMMITMENT PERCENTAGE. With respect to each Domestic Bank, the percentage set forth beside its name on SCHEDULE 2 hereto as the amount of such Domestic Bank's percentage of the Total Domestic Commitments (subject to adjustment upon any assignment pursuant to Section 19 or reallocation pursuant to Section 2.2).

DOMESTIC LETTERS OF CREDIT. Standby Letters of Credit issued or to be issued by the Issuing Banks under Section 4 hereof for the account of the Domestic Borrowers.

DOMESTIC LOANS. Domestic Revolving Credit Loans pursuant to Section 2 and the Term Loan pursuant to Section 4A made or to be made by the applicable Domestic Banks to the Domestic Borrowers.

DOMESTIC OBLIGATIONS. All Obligations other than Canadian Obligations.

DOMESTIC REVOLVING CREDIT BANKS. The Banks set forth on SCHEDULE 2 as Domestic Revolving Credit Banks, acting in their role as makers of Domestic Revolving Credit Loans or as participants with respect to Domestic Letters of Credit.

DOMESTIC REVOLVING CREDIT LOANS. Domestic Revolving Credit Loans pursuant to Section 2 made or to be made by the Domestic Revolving Credit Banks to the Domestic Borrowers.

DOMESTIC SECURITY AND PLEDGE AGREEMENT. The Amended and Restated Domestic Security and Pledge Agreement, dated the Effective Date, among the Domestic Borrowers and the Administrative Agent in form and substance

satisfactory to the Administrative Agent.

DRAWDOWN DATE. The date on which any Loan is made or is to be made, and the date on which any Loan is converted or continued in accordance with Sections 5.13 or 4A.6.2, or the date that any draft or other form of demand for payment is honored with respect to a Letter of Credit or the date of acceptance and purchase of any Bankers' Acceptance.

EBIT. See definition of Consolidated Earnings Before Interest and Taxes.

EBITDA. See definition of Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization.

EFFECTIVE DATE. The date on which the conditions precedent set forth in Section 10 are satisfied.

ELIGIBLE CANADIAN ASSIGNEE. Any institutional lender which is (i) a bank named in SCHEDULE I or SCHEDULE II to the Bank Act (Canada) having total assets in excess of C$500,000,000 or (ii) any other Bank approved by the Bank Agents and the Canadian Borrowers, which approval shall not be unreasonably withheld.

EMPLOYEE BENEFIT PLAN. Any employee benefit plan within the meaning of Section 3(3) of ERISA or Applicable Canadian Pension Legislation maintained or contributed to by any Borrower or any ERISA Affiliate, other than a Multiemployer Plan.

ENVIRONMENTAL LAWS. See Section 6.16(a).

EQUITY OFFERING. The proposed sale or issuance by the Parent of any of its capital stock or equity interests or any warrants, rights or options to acquire its capital stock or equity interests.

ERISA. The Employee Retirement Income Security Act of 1974, as amended and in effect from time to time.

ERISA AFFILIATE. Any Person which is treated as a single employer with any Borrower under Section 414 of the Code.

ERISA REPORTABLE EVENT. A reportable event with respect to a Guaranteed Pension Plan within the meaning of Section 4043 of ERISA and the regulations promulgated thereunder as to which the requirement of notice has not been waived.

EUROCURRENCY RESERVE RATE. For any day with respect to a Eurodollar Rate Loan, the maximum rate (expressed as a decimal) at which any Bank subject thereto would be required to maintain reserves under Regulation D of the Board of Governors of the Federal Reserve System (or any successor or similar regulations relating to such reserve requirements) against "Eurocurrency Liabilities" (as that term is used in Regulation D), if such liabilities were outstanding. The Eurocurrency Reserve Rate shall be adjusted automatically on and as of the effective date of any change in the Eurocurrency Reserve Rate.

EURODOLLAR BUSINESS DAY. Any day on which commercial banks are open for international business (including dealings in Dollar deposits) in London or such other Dollar interbank market as may be selected by the Administrative Agent in its sole discretion acting in good faith.

EURODOLLAR RATE. For any Interest Period with respect to a Eurodollar Rate Loan, the rate of interest equal to (i) the arithmetic rate per annum (rounded upwards to the nearest 1/16 of one percent) at which Dollar deposits are offered to the Administrative Agent by prime banks in whatever Eurodollar market may be selected by the Administrative Agent in its sole discretion, acting in good faith at or about 10:00 a.m. local time in such interbank market two Eurodollar Business Days prior to the beginning of such Interest Period, for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of the Eurodollar Rate Loan to which such Interest Period applies, divided by (ii) a number equal to 1.00 minus the Eurocurrency Reserve Rate, if applicable.

EURODOLLAR RATE LOANS. Domestic Loans bearing interest calculated by reference to the Eurodollar Rate.

EVENT OF DEFAULT. See Section 13.

EXCESS OPERATING CASH FLOW. For any period, EBITDA MINUS (a) capital expenditures, (b) interest expenses, (c) cash taxes, and (d) scheduled payments of long term debt for such period. For the purposes of this definition, excess operating cash flow (a) for the period ending April 30, 2001, shall be measured from May 1, 2000 through April 30, 2001, and (b) for each fiscal year thereafter, shall be for such fiscal year.

EXCHANGE RATE. On any day, (a) with respect to Canadian Dollars in relation to U.S. Dollars, the Spot Rate as quoted by the Bank of Canada as its noon Spot Rate at which U.S. Dollars are offered on such day for Canadian Dollars, and (b) with respect to U.S. Dollars in relation to Canadian Dollars, the Spot Rate as quoted by the Bank of Canada as its noon Spot Rate at which Canadian Dollars are offered on such day for U.S. Dollars.

EXCLUDED SUBSIDIARIES. PERC, Timber, MERC, AAR, the Insurance Subsidiary and the De Minimis Subsidiaries.

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

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

FINANCIAL L/C FEE. See Section 5.2 (b).

FIRST REVOLVER REDUCTION DATE. See Section 2.4(a).

FIRST TIER CANADIAN BORROWERS. Collectively, all Canadian Borrowers that are direct Subsidiaries of Domestic Borrowers.

FUEL DERIVATIVES OBLIGATIONS. See Section 8.1(h).

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES OR GAAP. When used in general, Generally Accepted Accounting Principles means (1) principles that are consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, in effect for the fiscal year ended on the Balance Sheet Date, as shall be concurred in by independent certified public accountants of recognized standing whose report expresses an unqualified opinion (other than a qualification regarding changes in Generally Accepted Accounting Principles) as to financial statements in which such principles have been applied; and (2) when used with reference to the Borrowers, such principles shall include (to the extent consistent with such principles) the accounting practices reflected in the consolidated financial statements for the year ended on the Balance Sheet Date.

GUARANTEED PENSION PLAN. Any employee pension benefit plan within the meaning of Section 3(2) of ERISA maintained or contributed to by any Borrower or any ERISA Affiliate the benefits of which are guaranteed on termination in full or in part by the PBGC pursuant to Title IV of ERISA, other than a Multiemployer Plan.

HAZARDOUS SUBSTANCES. Any hazardous waste, as defined by 42 U.S.C.

Section 6903(5), any hazardous substances as defined by 42 U.S.C. Section 9601(14), any pollutant or contaminant as defined by 42 U.S.C. Section 9601(33) and any waste, hazardous waste, dangerous goods, contaminants, pollutants, toxic substance, oil or hazardous materials or other chemicals or substances regulated by any Environmental Laws.

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

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

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

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

(iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (including securities repurchase agreements but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue in accordance with their terms or the Borrowers' normal or ordinary business practices or which are being contested in good faith),

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

(vi) every obligation of such Person under any lease (a "synthetic lease") treated as an operating lease under GAAP and as a loan or financing for U.S. income tax purposes,

(vii) all sales by such Person of (A) accounts or general intangibles for money due or to become due, (B) chattel paper, instruments or documents creating or evidencing a right to payment of money or (C) other receivables (collectively "receivables"), whether pursuant to a purchase facility or otherwise, other than in connection

with the disposition of the business operations of such Person relating thereto or a disposition of defaulted receivables for collection and not as a financing arrangement, and together with any obligation of such Person to pay any discount, interest, fees, indemnities, penalties,

recourse, expenses or other amounts in connection therewith,

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

(ix) every obligation of such Person under any forward contract, futures contract, swap, option or other financing agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements), the value of which is dependent upon interest rates, currency exchange rates, commodities or other indices (a "derivative contract"),

(x) every obligation in respect of Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent that such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent that the terms of such Indebtedness provide that such Person is not liable therefor and such terms are enforceable under applicable law,

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

The "amount" or "principal amount" of any Indebtedness at any time of determination represented by (u) any Indebtedness, issued at a price that is less than the principal amount at maturity thereof, shall be the amount of the liability in respect thereof determined in accordance with GAAP, (v) any Capitalized Lease shall be the principal component of the aggregate of the rentals obligation under such Capitalized Lease payable over the term thereof that is not subject to termination by the lessee, (w) any sale of

receivables shall be the amount of unrecovered capital or principal investment of the purchaser (other than the Borrower or any of its wholly-owned Subsidiaries) thereof, excluding amounts representative of yield or interest earned on such investment, (x) any synthetic lease shall be the stipulated loss value, termination value or other equivalent amount, (y) any derivative contract shall be the maximum amount of any termination or loss payment required to be paid by such Person if such derivative contract were, at the time of determination, to be terminated by reason of any event of default or early termination event thereunder, whether or not such event of default or early termination event has in fact occurred and (z) any equity related purchase obligation shall be the maximum fixed redemption or purchase price thereof inclusive of any accrued and unpaid dividends to be comprised in such redemption or purchase price.

ING L/C. The letter of credit issued by ING to Central Maine Power in the maximum drawing amount of $30,000,000, as the same shall be reduced annually by $3,750,000.

INSURANCE SUBSIDIARY. Casella Insurance Company, a Vermont corporation.

INTEREST PERIOD. With respect to each Eurodollar Rate Loan:

(a) initially, the period commencing on the date of a conversion from a Base Rate Loan into a Eurodollar Rate Loan or the making of a Eurodollar Rate Loan, and ending one (1), two (2), three (3) months or six (6) thereafter, as the case may be, as the Borrowers may select pursuant to the provisions of this Agreement; and

(b) thereafter, each subsequent Interest Period shall begin on the last day of the preceding Interest Period, and end one (1), two (2), three (3) or six (6) months thereafter, as the case may be, as the Borrowers may select pursuant to the provisions of this Agreement;

PROVIDED that all of the foregoing provisions relating to Interest Periods are subject to the following:

(A) if any Interest Period would otherwise end on a day that is not a Eurodollar Business Day, that Interest Period shall be extended to the next succeeding Eurodollar Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Eurodollar Business Day;

(B) if the Borrowers shall fail to give notice as provided in Section 5.13, the Borrowers shall be deemed to have requested a conversion of the affected Eurodollar Rate Loan to a Base Rate Loan and the continuance of all Base Rate Loans as Base Rate Loans on the last day of the then current Interest Period with respect thereto;

(C) any Interest Period relating to any Eurodollar Rate Loan that begins on the last Eurodollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Eurodollar Business Day of a calendar month; and

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

INTERIM BALANCE SHEET DATE. October 31, 1999.

INTERIM KTI BALANCE SHEET DATE. September 30, 1999.

INVESTMENTS. All expenditures made and all liabilities incurred (contingently or otherwise) for the acquisition of stock or Indebtedness of, or for loans, advances, capital contributions or transfers of property to, or in respect of any guarantees (or other commitments as described under Indebtedness), or obligations of, any Person. In determining the aggregate amount of Investments outstanding at any particular time: (a) the amount of any Investment represented by a guaranty shall be taken at not less than the principal amount of the obligations guaranteed and still outstanding; (b) there shall be included as an Investment all interest accrued with respect to Indebtedness constituting an Investment unless and until such interest is paid; (c) there shall be deducted in respect of each such Investment any amount received as a return of capital (but only by repurchase, redemption, retirement, repayment, liquidating dividend or liquidating distribution); (d) there shall not be deducted in respect of any Investment any amounts received as earnings on such Investment, whether as dividends, interest or otherwise, except that accrued interest included as provided in the foregoing clause (b) may be deducted when paid; and (e) there shall not be deducted from the aggregate amount of Investments any decrease in the value thereof.

ISSUANCE FEE. See Section 5.2(b).

ISSUING BANKS. The Banks issuing Letters of Credit, which shall be (a) BankBoston (in the case of Domestic Letters of Credit), and (b) CIBC Canada and such other Canadian Banks as agreed to by the Administrative Agent and the Parent (in the case of Canadian Letters of Credit).

KEYBANK. See preamble.

KTI. KTI, Inc., a New Jersey corporation.

KTI BALANCE SHEET DATE. March 31, 1999.

KTI NOTES. The 8 3/4% Convertible Notes of KTI, Inc. due August 15, 2004.

KTI PLASTIC. FCR Plastics, Inc., a wholly-owned Subsidiary of KTI.

KTI PURCHASE. See Section 10.6.

LETTERS OF CREDIT. Domestic Letters of Credit and Canadian Letters of Credit.

LETTER OF CREDIT APPLICATIONS. Letter of Credit Applications in such form as may be agreed upon by any Borrower and either Issuing Bank from time to time which are entered into pursuant to Section 4 hereof as such Letter of Credit Applications are amended, varied or supplemented from time to time.

LETTER OF CREDIT FEE. See Section 5.2(b).

LETTER OF CREDIT PARTICIPATION. See Section 4.1(c).

LETTER OF CREDIT PERCENTAGE. The percentage per annum equal to the margin above the Eurodollar Rate charged on Revolving Credit Eurodollar Rate Loans, as in effect from time to time, as set forth in the column "Applicable Rate for Revolving Credit Eurodollar Rate Loans" in the Applicable Rate table above.

LOAN DOCUMENTS. This Agreement, the Notes, the Letter of Credit Applications, the Letters of Credit, the Bankers' Acceptances, the Security Documents, the Subordination Agreements, and any documents, instruments or agreements executed in connection with any of the foregoing, each as amended, modified, supplemented, or replaced from time to time.

LOAN AND LETTER OF CREDIT REQUEST. See Section 2.6(a).

LOANS. Collectively, the Domestic Loans made by the Domestic Banks and the Canadian Loans made by the Canadian Banks.

LOAN PERCENTAGE. With respect to each Bank as of a particular date, such Bank's portion of and participating interests in (calculated as a

percentage) the sum, expressed in Dollars or U.S. Dollar Equivalents, of (i) the outstanding principal amount of the Revolving Credit Loans on such date, (ii) the outstanding principal amount of the Term Loan on such date, (iii) the outstanding principal amount of the Swing Line Loans on such date, (iv) the Maximum Drawing Amount of Letters of Credit, any unpaid Reimbursement Obligations and Bankers' Acceptances outstanding on such date and, (v) with respect to the definition of Required Banks and Section 15.3 only, the unused Commitments on such date.

MATURITY DATE. The Revolving Credit Maturity Date or the Term Loan Maturity Date, as applicable.

MAXIMUM DRAWING AMOUNT. The maximum aggregate amount from time to time that the beneficiaries may draw under outstanding Letters of Credit.

MERC. Maine Energy Recovery Company, Limited Partnership, a Maine limited partnership of which KTI Environmental Group, Inc. owns a 83.75% limited partnership interest.

MERC L/C. The Domestic Letter of Credit issued hereunder in the amount of $30,000,000 for the benefit of MERC.

MULTIEMPLOYER PLAN. Any multiemployer plan within the meaning of Section 3(37) of ERISA maintained or contributed to by any Borrower or any ERISA Affiliate.

NET CASH PROCEEDS. With respect to any sale of any assets of the Borrowers or the Excluded Subsidiaries, the gross consideration received by the Borrowers or any of the Excluded Subsidiaries (in cash) from such sale, net of commissions, direct sales costs, normal closing adjustments, the amount used to repay any Indebtedness secured by such assets, income taxes attributable to such sale and professional fees and expenses incurred directly in connection therewith, to the extent the foregoing are actually paid in connection with such sale.

NET EQUITY PROCEEDS. With respect to any equity offering, including the Equity Offering, the excess of the gross cash proceeds received by such Person from such equity offering after deduction of reasonable and customary transaction expenses (including without limitation, underwriting discounts and commissions) actually incurred in connection with the equity offering.

NEW BORROWER(S). Any Borrower hereunder who was not also a Borrower under the January 1998 Agreement.

NEW SUBSIDIARY. See definition of EBITDA.

NON-U.S. LENDER. See Section 5.3(c).

NOTES. Collectively, the Domestic Revolving Credit Notes, the Term Notes, the Swing Line Note, and the Canadian Notes.

OAKHURST. Oakhurst Company, Inc., a New Jersey corporation of which KTI owns a 35% interest.

OBLIGATIONS. All indebtedness, obligations and liabilities of the Borrowers to any of the Banks, the Bank Agents and the Issuing Banks, individually or collectively, existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, arising or incurred under this Agreement or any of the other Loan Documents or in respect of any of the Loans made or Reimbursement Obligations incurred or the Letters of Credit, Bankers' Acceptances, the Notes, Swap Contracts, Fuel Derivatives Obligations and similar agreements or arrangements provided by any of the Banks or any other instrument at any time evidencing any thereof.

PARENT. See Preamble.

PBGC. The Pension Benefit Guaranty Corporation created by Section 4002 of ERISA and any successor entity or entities having similar responsibilities.

PERC. Penobscot Energy Recovery Co., Ltd., a Maine limited partnership of which PERC, Inc. owns a 70.36% limited partnership interest.

PERFORMANCE BONDS. See Section 8.1(d).

PERMITTED LIENS. See Section 8.2.

PERSON. Any individual, corporation, partnership, trust, unincorporated association, business, or other legal entity, and any government or any governmental agency or political subdivision thereof.

POST-CLOSING LETTER. The post-closing letter agreement executed by and between the Parent and the Administrative Agent, dated as of the date hereof.

POWER PURCHASE AGREEMENT. Collectively, (a) the Power Purchase Agreement between MERC and Central Maine Power, and (b) the Power Purchase Agreement between PERC and Bangor Hydro.

PRICING RATIO. At the end of any fiscal quarter of the Borrowers, the ratio of (a) Consolidated Funded Indebtedness to (b) EBITDA, as calculated on the Compliance Certificate delivered by the Borrowers pursuant to Section 7.4(c). For the purposes of the Pricing Ratio, EBITDA (a) for the fiscal quarter ending January 31, 2000, shall be actual combined EBITDA of the Parent and its Subsidiaries and KTI and its Subsidiaries (as approved by the Administrative Agent) (the "Combined First Quarter Amount") for such quarter multiplied by four (4), (b) for the fiscal quarter ending April 30, 2000, shall be the Combined First Quarter Amount PLUS EBITDA for the fiscal quarter ending on such date multiplied by two (2), (c) for the fiscal quarter ending July 31, 2000, shall be the Combined First Quarter Amount PLUS EBITDA for the period of two consecutive fiscal quarters ending on such date multiplied by 1.33, (d) for the fiscal quarter ending October 31, 2000, shall be the Combined First Quarter Amount PLUS EBITDA for the period of three fiscal quarters ending on such date, and (e) for the fiscal quarter ending January 31, 2001 and all fiscal quarters ending thereafter, shall be the EBITDA for the period of four (4) consecutive fiscal quarters ending on such

date.

REAL PROPERTY. All real property heretofore, now, or hereafter owned or leased by the Borrowers.

REIMBURSEMENT OBLIGATION. The Domestic Borrowers' joint and several obligations to reimburse the Issuing Banks and the Domestic Revolving Credit Banks on account of any drawing under any Domestic Letter of Credit and (to the fullest extent permitted by law) the Canadian Borrowers' joint and several obligations to reimburse the Issuing Banks and the Canadian Banks on account of any drawing under any Canadian Letter of Credit, all as provided in Section 4.2.

REFUNDING BANKERS' ACCEPTANCE. See Section 3.2.

RELEASE. Shall mean the broader of (i) the meaning specified for the term "Release" (or "Released") in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Sections 9601 ET SEQ. ("CERCLA") and (ii) the meaning specified for the term "DISPOSAL" (or "DISPOSED") in the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Sections 6901 ET SEQ. ("RCRA") and regulations promulgated thereunder; provided, that in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply as of the effective date of such amendment and provided further,

to the extent that the laws of a state or province (or the Federal laws of Canada applicable therein) wherein the property lies establishes a meaning for "Release" or "Disposal" or any analogous term which is broader than specified in either CERCLA or RCRA, such broader meaning shall apply.

REQUIRED BANKS. As of any date, the Banks whose aggregate percentages constitute at least fifty-one percent (51%) of the Loan Percentages, PROVIDED that for purposes of this definition "Bank" shall not include any delinquent Bank until such Bank is no longer deemed a delinquent Bank under Section 15.4.

REVOLVER REDUCTION DATES. See Section 2.4(a).

REVOLVING CREDIT BANKS. The Domestic Revolving Credit Banks and the Canadian Banks.

REVOLVING CREDIT LOANS. The Domestic Revolving Credit Loans and the Canadian Loans.

REVOLVING CREDIT MATURITY DATE. December 14, 2004.

SECOND REVOLVER REDUCTION DATE. See Section 2.4(a).

SECOND TIER CANADIAN BORROWERS. Collectively, all Canadian Borrowers that are direct Subsidiaries of other Canadian Borrowers.

SECURITY DOCUMENTS. The Domestic Security and Pledge Agreement, the Canadian Pledge Agreement and the Canadian Security Agreements, each as amended and in effect from time to time, and any additional documents evidencing or perfecting the Administrative Agent's lien on the assets of the applicable Borrowers for the benefit of the applicable Banks (including Uniform Commercial Code financing statements and the Canadian equivalent thereof).

SELLER SUBORDINATED DEBT. Indebtedness of the Borrowers which has been subordinated and made junior to the payment and performance in full of the Obligations, and evidenced as such by a subordination agreement containing subordination provisions substantially in the form of Exhibit F (the "Subordination Agreement") hereto; PROVIDED that (a) at the time such Seller Subordinated Debt is incurred, no Default or Event of Default has occurred or would occur as a result of such incurrence, and (b) the documentation evidencing such Seller Subordinated Debt shall have been delivered to the Administrative Agent and shall contain ALL of the following characteristics: (i) it shall be unsecured, (ii) it shall bear a market rate of interest, (iii) it shall have a final maturity of at least five (5) years, (iv) it

shall not require unscheduled principal repayments thereof prior to the maturity date, (v) it shall have financial covenants (including covenants relating to incurrence of indebtedness) which are meaningfully less

restrictive than those set forth herein, (vi) it shall have no restrictions on the Borrower's ability to grant liens securing indebtedness ranking senior to such Seller Subordinated Debt, (vii) it shall permit the incurrence of senior indebtedness under this Agreement, (viii) it may be cross-accelerated with the Obligations and other senior indebtedness of the Borrowers (but shall not be cross-defaulted except for payment defaults which the senior lenders have not waived) and may be accelerated upon bankruptcy, (ix) it shall provide for the complete, automatic and unconditional release of any and all guarantees of such Seller Subordinated Debt granted by any Borrower in the event of the sale by any Person of such Borrower or the sale by any Person of all or substantially all of such Borrower's assets (including in the case of a foreclosure), (x) it shall provide that (A) upon any payment or distribution of the assets of the Borrowers (including after the commencement of a bankruptcy proceeding) of any kind or character, all of the Obligations (including interest accruing after the commencement of any bankruptcy proceeding at the rate specified for the applicable Obligation, whether or not such interest is an allowable claim in any such proceeding) shall be paid in full prior to any payment being received by the holders of the Seller Subordinated Debt and (B) until all of the Obligations (including the interest described in subclause (A) above) are paid in full in cash, any payment or distribution to which the holders of the Seller Subordinated Debt would be entitled but for the subordination provisions of the type described in clauses (xi) and (xii) hereof shall be made to the holders of the Obligations, (xi) it shall provide that in the event of a payment default under Section 13.1(a) or (b) hereof, the Borrowers shall not be required to pay the principal of, or any interest, fees and all other amounts payable with respect to the Seller Subordinated Debt until the Obligations have been paid in full in cash, (xii) it shall provide that in the event of any other Event of Default, the Banks shall be permitted to block with respect to the Seller Subordinated Debt for a period of 180 days (A) payments of principal, interest, fees and all other amounts payable, and (B) enforcement of remedies for Seller Subordinated Debt in excess of $1,000,000, and (xiii) it shall acknowledge that none of the provisions outlined in part (b) of this definition can be amended, modified or otherwise altered without the prior written consent of the Required Banks.

SETTLEMENT. The making or receiving of payments, in immediately available funds, by the Domestic Revolving Credit Banks to or from the Administrative Agent in accordance with Section 2.8 hereof to the extent necessary to cause each such Bank's actual share of the outstanding amount of the Domestic Loans to be equal to such Bank's Domestic Commitment Percentage of the outstanding amount of such Domestic Loans, in any case when,

prior to such action, the actual share is not so equal.

SETTLEMENT AMOUNT. See Section 2.8(b).

SETTLEMENT DATE. See Section 2.8(b).

SETTLING BANK. See Section 2.8(b).

SUBSIDIARY. Any corporation, association, trust, or other business entity of which the designated parent shall at any time own directly or indirectly through a Subsidiary or Subsidiaries at least a majority of the outstanding capital stock or other interest entitled to vote generally.

SWAP CONTRACTS. Any agreement (including any master agreement and any agreement, whether or not in writing, relating to any single transaction) that is an interest rate swap agreement, basis swap, forward rate agreement, commodity swap, commodity option, equity or equity index swap or option, bond option, interest rate option, forward foreign exchange agreement, rate cap, collar or floor agreement, currency swap agreement, cross-currency rate swap agreement, swaption, currency option or other similar agreement (including any option to enter into any of the foregoing).

SWING LINE LOANS. See Section 2.8(a).

SWING LINE NOTE. See Section 2.8(a).

TERM LOAN. The term loan made or to be made by the Term Loan Lenders to the Domestic Borrowers pursuant to Section 4A in the maximum principal amount of $150,000,000.

TERM LOAN BASE RATE MARGIN. See Section 4A.6.1(a).

TERM LOAN EURODOLLAR MARGIN. See Section 4A.6.1(b).

TERM LOAN LENDERS. Each of the Domestic Banks holding a portion of the Term Loan as set forth on SCHEDULE 2 hereto and any other Person who becomes an assignee of any rights and obligations of a Term Loan Lender pursuant to Section 19.

TERM LOAN PERCENTAGE. With respect to each Term Loan Lender, the percentage set forth on SCHEDULE 2 (subject to adjustment in accordance with Section 19 and Section 4A.4.3 hereof) as such Bank's percentage of the Term Loan.

TERM LOAN MATURITY DATE. December 14, 2006.

TERM NOTES. See Section 4A.2.

TERM NOTE RECORD. A record with respect to a Term Note.

TIMBER. Timber Energy Resources, Inc. a Florida corporation.

TIMBER ENVIRONMENTAL LIABILITY. The environmental liabilities of Timber disclosed on SCHEDULE 6.18 to be assumed by the Parent, in an amount not to exceed $500,000.

TOTAL CANADIAN COMMITMENT. See Section 2.1(b).

TOTAL COMMITMENT. The sum of the Total Canadian Commitment and the Total Domestic Commitment, which amount shall initially equal $300,000,000, as such amount may be reduced pursuant to Section 2.2 and Section 2.4 hereof.

TOTAL CONSOLIDATED FUNDED INDEBTEDNESS. Collectively, without duplication, whether classified as indebtedness, an Investment or otherwise on the Borrowers' and the Excluded Subsidiaries' consolidated balance sheet, (a) all indebtedness for borrowed money or credit obtained or other similar monetary obligations, direct or indirect, (b) all obligations evidenced by notes, bonds, debentures or other similar debt instruments (other than Performance Bonds), (c) the face amount of all Financial L/Cs and any unpaid reimbursement obligations under any Financial L/C, (d) all obligations, liabilities and indebtedness under capitalized leases which correspond to principal, and (e) guarantees of the Indebtedness of others referred to in clauses (a) through (d) above.

TOTAL DOMESTIC COMMITMENT. See Section 2.1(a).

TYPE. As to any Domestic Loan, its nature as a Base Rate Loan or a Eurodollar Rate Loan.

UNDRAWN TERM LOAN FEE. See Section 5.2(d).

U.S. DOLLAR EQUIVALENT. With respect to an amount of Canadian Dollars, on any date, the amount of U.S. Dollars that may be purchased with such amount of Canadian Dollars at the Exchange Rate with respect to Canadian Dollars on such date.

YEAR 2000 ISSUE. The risk that computer applications used by the Borrowers may be unable to recognize and properly perform date-sensitive functions involving certain dates prior to, and any date after, December 31, 1999.

Section 1.2. RULES OF INTERPRETATION.

(a) A reference to any document or agreement shall include such document or agreement as amended, modified or supplemented from time to time in accordance with its terms and the terms of this Agreement.

(b) The singular includes the plural and the plural includes the singular.

(c) A reference to any law includes any amendment or modification to such law.

(d) A reference to any Person includes its permitted successors and permitted assigns.

(e) Accounting terms capitalized but not otherwise defined herein have the meanings assigned to them by Generally Accepted Accounting Principles applied on a consistent basis by the accounting entity to which they refer.

(f) The words "include", "includes" and "including" are not limiting.

(g) All terms not specifically defined herein or by Generally Accepted Accounting Principles, which terms are defined in the Uniform Commercial Code as in effect in the State of New York or the Canadian equivalent, if applicable, have the meanings assigned to them therein.

(h) Reference to a particular "Section" refers to that section of this Agreement unless otherwise indicated.

(i) The words "herein", "hereof", "hereunder" and words of like import shall refer to this Agreement as a whole and not to any particular section or subdivision of this Agreement.

Section 2. THE REVOLVING CREDIT LOANS.

Section 2.1. COMMITMENT TO LEND.

(a) Subject to the terms and conditions set forth in this Agreement, each of the Domestic Revolving Credit Banks severally agrees to lend to the Domestic Borrowers and the Domestic Borrowers may borrow, repay, and reborrow from time to time between the

Effective Date and the Revolving Credit Maturity Date upon notice by the Domestic Borrowers to the Administrative Agent given in accordance with Section 2.6, such Bank's Domestic Commitment Percentage of such sums as are requested by the Domestic Borrowers in the minimum aggregate amount of $500,000 or an integral multiple thereof; PROVIDED, that except as otherwise provided herein, the outstanding amount of Domestic Revolving Credit Loans (including the Swing Line Loans) and the Maximum Drawing Amount of the Domestic Letters of Credit shall not exceed a maximum aggregate amount outstanding equal to $300,000,000, as such amount may be reduced or reallocated pursuant to Section 2.2 or Section 2.4 hereof (the "Total Domestic Commitment") at any time, PROVIDED that so long as the ING L/C is outstanding, the outstanding amount of Domestic Revolving Credit Loans (including the Swing Line Loans) and the Maximum Drawing Amount of the Domestic Letters of Credit shall not exceed a maximum aggregate amount outstanding equal to $300,000,000 MINUS the maximum drawing amount of the ING L/C. Domestic Revolving Credit Loans made hereunder shall be made PRO RATA in accordance with each Domestic Revolving Credit Bank's Domestic Commitment Percentage.

(b) Subject to the terms and conditions set forth in this Agreement, including, without limitation Section 11.6, and upon the request of the Canadian Borrowers, each of the Canadian Banks severally agrees to lend to the Canadian Borrowers, and the Canadian Borrowers may borrow, repay, and reborrow from time to time between the Effective Date and the Revolving Credit Maturity Date, upon notice by the Canadian Borrowers to the Bank Agents given in accordance with this Section 2, its Canadian Commitment Percentage of the Canadian Loans as are requested by the Canadian Borrowers; PROVIDED THAT the sum of the outstanding principal amount of the Canadian Loans, the aggregate face amount of all outstanding Bankers' Acceptances accepted and purchased, and the Maximum Drawing Amount of outstanding Canadian Letters of Credit shall not exceed a maximum aggregate amount outstanding equal to US$0, PROVIDED that , as such amount may be reduced or reallocated pursuant to Section 2.2 or Section 2.4 hereof (the "Total Canadian Commitment").

(c) Each request for a Loan or Letter of Credit and each request for an acceptance and purchase of a Bankers' Acceptance hereunder shall constitute a representation and warranty by the applicable Borrowers that the conditions set forth in Section 10 and Section 11, as the case may be, have been satisfied on the date of such request.

Section 2.2. REDUCTION OF TOTAL COMMITMENT AND REALLOCATIONS.

Section 2.2.1. REDUCTION OF TOTAL COMMITMENT.

(a) The Borrowers shall have the right at any time and from time to time upon five (5) Business Days' prior written notice to the Administrative Agent to reduce by $5,000,000 or an integral multiple of $1,000,000 in excess thereof or terminate entirely the Total Commitment, whereupon the Commitments of the Revolving Credit Banks shall be reduced PRO RATA in accordance with their respective Commitment Percentages of the amount specified in such notice or, as the case may be, terminated. Each of the Total Domestic Commitment and the Total Canadian Commitment shall be reduced ratably in the event of such a reduction so that no such reduction shall change the ratio of the Total Domestic Commitment to the Total Canadian Commitment in effect immediately prior to such reduction, and further provided that at no time may (i) the Total Domestic Commitment be reduced to an amount less than the sum of (A) the Maximum Drawing Amount of all Domestic Letters of Credit, and (B) all Domestic Revolving Credit Loans then outstanding, or (ii) the Total Canadian Commitment be reduced to an amount less than the sum of (A) the Maximum Drawing Amount of all Canadian Letters of Credit, (B) all Canadian Loans then outstanding, and (C) the face amount of all outstanding Bankers' Acceptances.

(b) No reduction or termination of the Total Commitment, the Total Domestic Commitment or the Total Canadian Commitment once made may be revoked; the portion of the Total Commitment, the Total Domestic Commitment or the Total Canadian Commitment reduced or terminated may not be reinstated; and amounts in respect of such reduced or terminated portion may not be reborrowed.

(c) The Administrative Agent will notify the Revolving Credit Banks promptly after receiving any notice of the Borrowers delivered pursuant to this Section 2.2.1 and will distribute to each such Bank a revised schedule of Commitments, Domestic Commitment Percentages and Canadian Commitment Percentages, as applicable.

Section 2.2.2. REALLOCATIONS.

(a) Upon the request of the Borrowers, with the approval of the Administrative Agent and the Canadian Agent, and at the sole discretion of (i) the Canadian Banks, such Banks may reallocate all or a portion of their Canadian Commitments to their Domestic Bank affiliates' Domestic Commitments, or (ii) the Domestic Revolving Credit Banks, such Banks may reallocate all or a portion of their Domestic Commitments to their Canadian Bank affiliates' Canadian Commitments, subject to payment by the Borrowers to the appropriate Bank Agent of a fee as agreed from time to time in respect thereof. The Total Canadian Commitment or Total Domestic Commitment, as applicable, shall be permanently reduced by the amount of such reallocation, and the Total Domestic Commitment or Total Canadian Commitment, as applicable, shall be increased by the same amount.

(b) Each of the Revolving Credit Banks and the Borrowers further agrees that the Administrative Agent may make such conforming changes to this Agreement as the Administrative Agent may determine are necessary to accomplish the reallocations authorized herein, including, without limitation, revisions to SCHEDULES 2 and 3 hereto, PROVIDED THAT prior to giving effect to any such changes, the Administrative Agent shall have provided written notice to the applicable Banks and the Borrowers of such changes. If requested by the Administrative Agent, or any affected Bank, the Borrowers hereby agree to issue new Notes, and the applicable Banks agree to cancel and return any old Notes that are replaced by such new Notes, as applicable in connection with any such reallocations.

(c) Unless a Default or Event of Default has occurred and is continuing, from the Effective Date through and including January 31, 2000, the Canadian Borrowers may request that the Total Canadian Commitment be increased to up to $25,000,000, hereunder, PROVIDED that the Total Commitment does not exceed $300,000,000, subject to the approval of the Administrative Agent, and PROVIDED, further, that (i) any Canadian Bank which is a party to this Agreement prior to any such increase may elect to fund its pro rata share of the increase, thereby

increasing its Commitment hereunder, but no Canadian Bank shall be required to do so, (ii) in the event that it becomes necessary to include a new Canadian Bank to provide additional funding under this Section 2.2.2, such new Canadian Bank, as applicable, must be reasonably acceptable to the Canadian Agent and the Canadian Borrowers, and (iii) the Domestic Banks' Domestic Commitment Percentages and Canadian Banks' Canadian Commitment Percentages, as applicable, shall be correspondingly adjusted and Canadian Notes, issued or amended and such other changes shall be made to the Loan Documents, as necessary, to reflect any such increase(s) in the Total Canadian Commitment, and concomitant decreases in the Total Domestic Commitment.

Section 2.3. THE REVOLVING CREDIT NOTES.

(a) The Domestic Revolving Credit Loans shall be evidenced by promissory notes of the Domestic Borrowers in substantially the form of EXHIBIT A-1 hereto (each a "Domestic Revolving Credit Note"), dated as of the Effective Date (or such later date as a Domestic Revolving Credit Bank becomes a party hereto pursuant to Section 19) and completed with appropriate insertions. One Domestic Revolving Credit Note shall be payable to the order of each Domestic Revolving Credit Bank in a principal amount equal to such Domestic Revolving Credit Bank's Domestic Commitment or, if less, the outstanding amount of all Domestic Loans made by such Domestic Revolving Credit Bank, plus interest accrued thereon, as set forth below.

(b) The Canadian Loans shall be evidenced by either (i) separate promissory notes of the Canadian Borrowers in substantially the form of EXHIBIT A-2 hereto (each, a "Canadian Note"), dated as of the date such facility is activated and completed with appropriate insertions, or (ii) this Agreement and by individual loan accounts maintained by the Canadian Agent on its books for each of the Canadian Banks, it being the intention of the parties hereto that, unless a Canadian Note is requested by a Canadian Bank, the Canadian Borrowers' obligations with respect to Canadian Loans are to be evidenced only as stated herein and not by separate promissory notes. If a Canadian Bank requests a Canadian Note, one Canadian Note shall be payable to the order of such Canadian Bank in an amount equal to its Canadian Commitment, and shall represent the joint and several obligations, to the fullest extent permitted by law, of the Canadian Borrowers to pay such Canadian Bank such principal amount or, if less, the outstanding principal amount of all Canadian Loans made by such Canadian Bank, plus interest accrued thereon, as set forth herein.

(c) The applicable Borrowers irrevocably authorize the applicable Banks to make, or cause to be made, in connection with a Drawdown Date of any Domestic Revolving Credit Loan or Canadian Loan, as the case may be, at the time of receipt of any payment of principal on any such Note, an appropriate notation on such Bank's records or on the schedule attached to such Bank's Note or a continuation of such schedule attached thereto reflecting the making of such Loan, or the receipt of such payment (as the case may be) and may, prior to any transfer of its Note, endorse on the reverse side thereof the outstanding principal amount of such Revolving Credit

Loans evidenced thereby. The outstanding amount of the Revolving Credit Loans set forth on such Bank's record shall be PRIMA FACIE evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount shall not limit or otherwise affect the obligations of the applicable Borrowers hereunder or under such Notes to make payments of principal of or interest on any such Notes when due.

Section 2.4. REDUCING REVOLVER; MATURITY OF THE REVOLVING CREDIT LOANS.

(a) On December 14, 2002 (the "First Revolver Reduction Date"), the Total Commitment shall be irrevocably reduced to $275,000,000, and on December 14, 2003 (the "Second Revolver Reduction Date", and together with the First Revolver Reduction Date, the "Revolver Reduction Dates") , the Total Commitment shall be irrevocably reduced to $250,000,000, and any payments required by Section 2.5 shall be made on each such date, with a final payment on the Revolving Credit Maturity Date in an amount equal to the unpaid balance of the Revolving Credit Loans, together with any and all

accrued and unpaid interest thereon. On each such reduction date, each Revolving Bank's Domestic Commitment or Canadian Commitment (as applicable) shall be reduced PRO RATA in accordance with such Bank's Domestic Commitment Percentage or Canadian Commitment Percentage. The Domestic Borrowers jointly and severally promise to pay on (a) each Revolver Reduction Date, all Domestic Revolving Credit Loans, unpaid Reimbursement Obligations with respect to Domestic Letters of Credit and any and all unpaid interest accrued thereon, exceeding the amount of the reduced Total Domestic Commitment, and (b) the Revolving Credit Maturity Date all Domestic Revolving Credit Loans outstanding, unpaid Reimbursement Obligations with respect to Domestic Letters of Credit and any and all unpaid interest accrued thereon. The Canadian Borrowers jointly and severally, to the fullest extent permitted by law, promise to pay on (a) each Revolver Reduction Date, all Canadian Loans, unpaid Reimbursement Obligations with respect to Canadian Letters of Credit, any amounts owing with respect to Bankers' Acceptances, and any and all unpaid interest accrued thereon, as applicable, exceeding the amount of the reduced Total Canadian Commitment, and (b) the Revolving Credit Maturity Date all Canadian Loans outstanding, unpaid Reimbursement Obligations with respect to Canadian Letters of Credit, any amounts owing with respect to Bankers' Acceptances, and any and all unpaid interest accrued thereon. The Revolving Credit Loans shall be due and payable on each Revolver Reduction Date and the Revolving Credit Maturity Date, as set forth above.

(b) Any payments made by the Borrowers pursuant to this Section 2.4

shall ratably reduce each of the Total Domestic Commitment and the Total Canadian Commitment so that no such reduction shall change the ratio of the Total Domestic Commitment to the Total Canadian Commitment in effect immediately prior to such reduction.

Section 2.5. MANDATORY REPAYMENTS OF THE REVOLVING CREDIT LOANS. If at any time (i) the sum of the outstanding amount of the Domestic Revolving Credit Loans PLUS the Maximum Drawing Amount of all outstanding Domestic Letters of Credit exceeds the Total Domestic Commitment, whether by reduction of the Total Domestic Commitment or otherwise, or (ii) the sum of the outstanding amount of the Canadian Loans, PLUS the Maximum Drawing Amount of all outstanding Canadian Letters of Credit, PLUS the aggregate face amount of all outstanding Bankers' Acceptances, exceeds the Total Canadian Commitment, whether by reduction of the Total Canadian Commitment, due to currency fluctuations or otherwise, then the Domestic Borrowers, jointly and severally, shall immediately pay the amount of such excess to the Administrative Agent in the case of clause (i) above, and the Canadian Borrowers, jointly and severally, to the fullest extent permitted by law, shall immediately pay the amount of such excess to the Canadian Agent, in the case of clause (ii) above, within two (2) Business Days of notice thereof if due to currency fluctuations, (A) for application to the applicable Revolving Credit Loans, in the case of clause (i) above, first to Domestic Revolving Credit Loans, or in the case of clause (ii) above, first to the Canadian Loans, subject to Section 5.14, or (B) if no Revolving Credit Loans shall be outstanding, to be held by the Administrative Agent or the Canadian Agent, as the case may be, for the benefit of the applicable Banks as collateral security for such excess Maximum Drawing Amount and/or borrowing by way of Bankers' Acceptances; PROVIDED, HOWEVER, that if the amount of cash collateral held by the Administrative Agent or the Canadian Agent pursuant to this Section 2.5 exceeds the Maximum Drawing Amount and/or borrowings by way of Bankers' Acceptances required to be collateralized from time to time, such Bank Agent shall return such excess to the applicable Borrowers.

Section 2.6. REQUESTS FOR REVOLVING CREDIT LOANS.

(a) The Domestic Borrowers shall give to the Administrative Agent written notice in the form of EXHIBIT B-1 hereto (or telephonic notice confirmed by telecopy on the same Business Day in the form of EXHIBIT B-1 hereto) of each Domestic Revolving Credit Loan requested hereunder (a "Loan and Letter of Credit Request") not later than 11:00 a.m. Boston time (i) no less than one (1) Business Day prior to the proposed Drawdown Date of any Base Rate Loan and (ii) no less than three (3) Eurodollar Business Days prior to the proposed Drawdown Date of any Eurodollar Rate Loan. Each such notice shall specify (A)

the amount of such Domestic Revolving Credit Loan, (B) the proposed Drawdown Date of such Domestic Revolving Credit Loan, (C) the Type of such Domestic Revolving Credit Loan, (D) the Interest Period for such Domestic Revolving Credit Loan (if a Eurodollar Rate Loan), and (E)

the aggregate outstanding amount of all Swing Line Loans. Each Domestic Revolving Credit Loan requested shall be in a minimum amount of $5,000,000, or in $1,000,000 additional increments thereof. Each such Domestic Loan request shall reflect the Maximum Drawing Amount of all Domestic Letters of Credit outstanding and the amount of Domestic Revolving Credit Loans outstanding (including Swing Line Loans). Domestic Revolving Credit Loan requests made hereunder shall be irrevocable and binding on the Domestic Borrowers, and shall obligate the Domestic Borrowers to accept the Domestic Revolving Credit Loan requested from the Domestic Revolving Credit Banks on the proposed Drawdown Date.

(b) The Canadian Borrowers shall give to the Bank Agents written notice in the form of EXHIBIT B-2 hereto (or telephone notice confirmed in writing or a facsimile in the form of EXHIBIT B-2 hereto) of each Canadian Loan requested hereunder (a "Canadian Loan and Letter of Credit Request") not later than 11:00 a.m. (Boston time) no less than one (1) Business Day prior to the Drawdown Date of any Canadian Prime Rate Loan or Canadian Base Rate Loan. Each such Canadian Loan and Letter of Credit Request shall specify (A) the principal amount of the Canadian Loan requested, (B) the proposed Drawdown Date of such Canadian Loan, and (C) whether such Canadian Loan is to be a Canadian Prime Rate Loan or a Canadian Base Rate Loan. Each such Canadian Loan and Letter of Credit Request shall reflect the amount of Canadian Loans and Bankers' Acceptances outstanding and the Maximum Drawing Amount of all Canadian Letters of Credit. Each Canadian Loan and Letter of Credit Request shall be in a minimum amount of C$1,000,000, or C$500,000 additional increments thereof for Canadian Loans and in C$100,000 for Canadian Letters of Credit. Canadian Loan and Letter of Credit Requests made hereunder shall be irrevocable and binding on the Canadian Borrowers, and shall obligate the Canadian Borrowers to accept the Canadian Loan requested from the Canadian Banks on the proposed Drawdown Date.

Section 2.7. FUNDS FOR DOMESTIC REVOLVING CREDIT LOANS AND CANADIAN LOANS.

(a) Not later than 2:00 p.m. (Boston time) on the proposed Drawdown Date of any Revolving Credit Loan, (i) in the case of Domestic Revolving Credit Loans, each of the Domestic Revolving Credit Banks will make available to the Administrative Agent, at the Administrative Agent's Head Office, or, (ii) in the case of Canadian Loans, each of the Canadian Banks will make available to the Canadian Agent, at the Canadian Agent's Head Office, in each case in immediately available funds, the amount of such Bank's Domestic Commitment Percentage or Canadian Commitment Percentage, as the case may be, of the amount of the requested Revolving Credit Loans. Upon receipt from each applicable Bank of such amount, and upon receipt of the documents required by Sections 10 and 11 and the satisfaction of the other conditions set forth therein, to the extent applicable, the Administrative Agent will make available to the Domestic Borrowers in immediately available funds the aggregate amount of such Domestic Revolving Credit Loans made available to the Administrative Agent by the Domestic Revolving Credit Banks, and the Canadian Agent will make available to the Canadian Borrowers in immediately available funds the aggregate amount of such Canadian Loans made available to the Canadian Agent by the Canadian Banks. The failure or refusal of any Revolving Credit Bank to make available to the Administrative Agent or the Canadian Agent, as the case may be, at the aforesaid time and place on any Drawdown Date the amount of its Domestic Commitment Percentage of the requested Domestic Revolving Credit Loans or the amount of its Canadian Commitment Percentage of the requested Canadian Loans shall not relieve any other Revolving Credit Bank from its several obligation hereunder to make available to the Administrative Agent, or the Canadian Agent, as the case may be, the amount of such other Revolving Credit Bank's Commitment Percentage of any requested Revolving Credit Loan.

(b) The Administrative Agent or the Canadian Agent, as the case may be, may, unless notified to the contrary by any Revolving Credit Bank prior to a Drawdown Date, assume that such Bank has made available to the Administrative Agent or the Canadian Agent, as the case may be, on such Drawdown Date the amount of such Bank's Commitment Percentage of the Revolving Credit Loans to be made on such Drawdown Date, and the Administrative Agent or the Canadian Agent, as the case may be, may (but shall not be required to), in reliance upon such

assumption, make available to the applicable Borrowers a corresponding amount. If any Revolving Credit Bank makes available to the Administrative Agent or the Canadian Agent, as the case may be, such amount on a date after such Drawdown Date,

such Bank shall pay to the Administrative Agent or the Canadian Agent, as the case may be, on demand an amount equal to the product of (i) the average computed for the period referred to in clause (iii) below, of the weighted average interest rate paid by the Administrative Agent for federal funds acquired by the Administrative Agent, or corresponding Canadian funds in the case of the Canadian Agent, during each day included in such period, TIMES (ii) the amount of such Bank's Commitment Percentage of such Loans, TIMES (iii) a fraction, the numerator of which is the number of days that elapse from and including such Drawdown Date to the date on which the amount of such Bank's Commitment Percentage of such Loans shall become immediately available to the Administrative Agent or the Canadian Agent, as applicable, and the denominator of which is 365. A statement of the Administrative Agent or the Canadian Agent, as the case may be, submitted to such Bank with respect to any amounts owing under this paragraph shall be PRIMA FACIE evidence, absent manifest error, of the amount due and owing to such Bank Agent by such Bank. If the amount of such Bank's Commitment Percentage of such Loans is not made available to such Bank Agent by such Bank within three (3) Business Days following such Drawdown Date, such Bank Agent shall be entitled to recover such amount from such Borrowers on demand, with interest thereon at the rate per annum applicable to the Revolving Credit Loans made on such Drawdown Date.

Section 2.8. SWING LINE LOANS; SETTLEMENTS.

(a) Solely for ease of administration of the Domestic Revolving Credit Loans, BankBoston may, upon receipt of a Domestic Loan and Letter of Credit Request requesting a Swing Line Loan no later than 2:30 p.m. (Boston time) on the proposed date of funding, but shall not be required to, fund Base Rate Loans made in accordance with the provisions of this Agreement ("Swing Line Loans") for periods not to exceed seven (7) days in any one case, bearing interest as set forth in Section 5.1. The Swing Line Loans shall be evidenced by a promissory note of the Domestic Borrowers in substantially the form of EXHIBIT A-3 hereto (the "Swing Line Note") dated as of the Effective Date, and shall each be in a minimum amount of $100,000 or greater, PROVIDED THAT the outstanding amount of Swing Line Loans advanced by BankBoston hereunder shall not exceed $10,000,000 at any time. Each Domestic Revolving Credit Bank shall remain severally and unconditionally liable to fund its PRO RATA share (based upon such

Bank's Domestic Commitment Percentage) of such Swing Line Loans on each Settlement Date and, in the event BankBoston chooses not to fund all Base Rate Loans requested on any date, to fund its Domestic Commitment Percentage of the Base Rate Loans requested, subject to satisfaction of the provisions hereof relating to the making of Base Rate Loans. Prior to each Settlement, all payments or repayments of the principal of, and interest on, Swing Line Loans shall be credited to the account of BankBoston.

(b) The Domestic Revolving Credit Banks shall effect Settlements on (i) the Business Day immediately following any day which BankBoston gives written notice to the Administrative Agent to effect a Settlement, (ii) the Business Day immediately following the Administrative Agent's becoming aware of the existence of any Default or Event of Default, (iii) the Revolving Credit Maturity Date, (iv) any date on which the Borrowers wish to convert a Swing Line Loan into a Eurodollar Rate Loan, and (v) in any event, the seventh day on which any Swing Line Loan remains outstanding (each such date, a "Settlement Date"). One (1) Business Day prior to each such Settlement Date, the Administrative Agent shall give telephonic notice to the Domestic Revolving Credit Banks of (A) the respective outstanding amount of Domestic Revolving Credit Loans made by each Domestic Revolving Credit Bank as at the close of business on the prior day, (B) the amount that any Domestic Revolving Credit Bank, as applicable (a "Settling Bank"), shall pay to effect a Settlement (a "Settlement Amount"). A statement of the Administrative Agent submitted to the Domestic Revolving Credit Banks with respect to any amounts owing hereunder shall be PRIMA FACIE

evidence of the amount due and owing. Each Settling Bank shall, not later than 1:00 p.m. (Boston time) on each Settlement Date, effect a wire transfer of immediately available funds to the Administrative Agent at the Administrative Agent's Head Office in the amount of such Bank's Settlement Amount. All funds advanced by any Domestic Revolving Credit Bank as a Settling Bank pursuant to this Section 2.8 shall for all purposes be treated as a Base Rate Loan to the Borrowers.

(c) The Administrative Agent may (unless notified to the contrary by any Settling Bank by 12:00 noon (Boston time) one (1) Business Day prior to the Settlement Date) assume that each Settling Bank has made available (or will make available by the time specified in Section 2.8(b)) to the Administrative Agent its Settlement Amount, and the Administrative Agent may (but shall not be required to), in reliance upon such assumption, effect Settlements. If the Settlement Amount of such Settling Bank is made available to the Administrative Agent

on a date after such Settlement Date, such Settling Bank shall pay the Administrative Agent on demand an amount equal to the product of (i) the average, computed for the period referred to in clause (iii) below, of the weighted average annual interest rate paid by the Administrative Agent for federal funds acquired by the Administrative Agent during each day included in such period TIMES (ii) such Settlement Amount TIMES (iii) a fraction, the numerator of which is the number of days that elapse from and including such Settlement Date to but not including the date on which such Settlement Amount shall become immediately available to the Administrative Agent, and the denominator of which is 365. Upon payment of such amount such Settling Bank shall be deemed to have delivered its Settlement Amount on the Settlement Date and shall become entitled to interest payable by the Domestic Borrowers with respect to such Settling Bank's Settlement Amount as if such share were delivered on the Settlement Date. If such Settlement Amount is not in fact made available to the Administrative Agent by such Settling Bank within five (5) Business Days of such Settlement Date, the Administrative Agent shall be entitled to recover such amount from the Domestic Borrowers, with interest thereon at the Base Rate.

(d) After any Settlement Date, any payment by the Domestic Borrowers of Swing Line Loans hereunder shall be allocated PRO RATA among the Domestic Revolving Credit Banks, in accordance with such Banks' Domestic Commitment Percentages.

(e) If, prior to the making of a Domestic Revolving Credit Loan pursuant to paragraph (b) of this Section 2.8, a Default or Event of Default has occurred and is continuing, each Domestic Revolving Credit Bank will, on the date such Loan was to have been made, purchase an undivided participating interest in the outstanding Swing Line Loans in an amount equal to its Domestic Commitment Percentage of such Swing Line Loans. Each Domestic Revolving Credit Bank will immediately transfer to the Administrative Agent, in immediately available funds, the amount of its participation and upon receipt thereof the Administrative Agent will deliver to such Domestic Revolving Credit Bank a Swing Line participation certificate dated the date of receipt of such funds and in such amount.

(f) Whenever, at any time after the Administrative Agent has received from any Domestic Revolving Credit Bank such Bank's participating interest in the Swing Line Loans pursuant to clause (e) above, the Administrative Agent receives any payment on account thereof, the Administrative Agent will distribute to such Bank its

participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Bank's participating interest was outstanding and funded) in like funds as received; PROVIDED, HOWEVER, that in the event that such payment received by the Administrative Agent is required to be returned, such Bank will return to the Administrative Agent any portion thereof previously distributed by the Administrative Agent to it in like funds as such payment is required to be returned by the Administrative Agent.

(g) Each Domestic Revolving Credit Bank's obligation to

purchase participating interests pursuant to clause (e) above shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against the Administrative Agent, the Borrowers or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or Event of Default; (iii) any adverse change in the condition (financial or otherwise) of the Borrowers or any other Person; (iv) any breach of this Agreement by the Borrowers or any other Bank or Bank Agent; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

Section 2.9. OPTIONAL PREPAYMENTS OR REPAYMENTS OF REVOLVING CREDIT LOANS.

The applicable Borrowers shall have the right, at their election, to repay or prepay the outstanding amount of the Revolving Credit Loans, as a whole or in part, at any time without penalty or premium; PROVIDED (i) each partial prepayment shall be in the principal amount of $250,000 or an integral multiple thereof, and (ii) that the full or partial prepayment of the outstanding amount of any Eurodollar Rate Loans pursuant to this Section 2.9 may be made only on the last day of the Interest Period relating thereto. The Borrowers shall give the appropriate Bank Agent(s), no later than 11:00 a.m. (Boston time) (a) at least one (1) Business Day written notice (or telephonic notice confirmed in writing) of such proposed prepayment or repayment, written notice (or telephonic notice confirmed in writing) of any proposed prepayment or repayment pursuant to this Section 2.9 of Base Rate Loans, Canadian Prime Rate Loans or Canadian Base Rate Loans and (b) at least three (3) Eurodollar Business Days written notice (or telephonic notice confirmed in writing) of any proposed prepayment or repayment pursuant to this Section 2.9 of Eurodollar Rate Loans, in each case, specifying the proposed date of prepayment or repayment of Revolving Credit Loans and the principal amount to be paid. Each such partial prepayment shall be applied first to the principal of Base Rate Loans, Canadian Prime Rate Loans or Canadian Base

Rate Loans (as applicable) and then to the principal of Eurodollar Rate Loans. Payments received from Domestic Borrowers shall be applied pro rata to each Domestic Revolving Credit Bank in respect of its outstanding Domestic Commitment. Payments received from Canadian Borrowers shall be applied pro rata to each Canadian Bank in respect of its outstanding Canadian Commitment.

Section 3 BANKERS' ACCEPTANCES.

Section 3.1. ACCEPTANCE AND PURCHASE.

Subject to the terms and conditions hereof, each Canadian Bank severally agrees to accept and purchase Bankers' Acceptances drawn upon it by the Canadian Borrowers denominated in Canadian Dollars. The Canadian Borrowers shall notify the Canadian Agent by irrevocable written notice (each a "Bankers' Acceptance Notice") by 10:00 a.m. (Boston time) three (3) Business Days prior to the date of any borrowing by way of Bankers' Acceptances. Each borrowing by way of Bankers' Acceptances shall be in a minimum aggregate face amount of C$1,000,000 and integral multiples of C$500,000 in excess thereof. The face amount of each Bankers' Acceptance shall be C$100,000 or any integral multiple thereof. Each Bankers' Acceptance Notice shall be in the form of EXHIBIT B-3. In no event shall the U.S. Dollar Equivalent of the aggregate face amount of all outstanding Bankers' Acceptances exceed the Total Canadian Commitment minus the sum of the outstanding principal amount of all Canadian Loans (expressed in its U.S. Dollar Equivalent thereof), plus the Maximum Drawing Amount (expressed in its U.S. Dollar Equivalent thereof) of all outstanding Canadian Letters of Credit. If clearing services acceptable to the Canadian Banks and the Canadian Agent are available, all Bankers' Acceptances may be issued in the form of a depository bill and deposited with a clearing house, both terms as defined in the DEPOSITORY BILLS AND NOTES ACT (S.C. 1998 c.13). The Canadian Agent shall notify the Canadian Borrowers and the Canadian Banks of the procedures to be adopted to implement such change. The Canadian Banks are also authorized at such time to issue depository bills as replacements for previously issued Bankers' Acceptances, on the same terms as those replaced, and deposit them with a clearing house against cancellation of the previously issued Bankers' Acceptances.

(a) TERM. Bankers' Acceptances shall be issued and shall mature on a Business Day. Each Bankers' Acceptance shall have a term of about 30, 60, 90 or 180 days and shall mature no later than five (5) days prior to the Revolving Credit Maturity Date and shall be in form

and substance reasonably satisfactory to the Canadian Bank which is accepting such Bankers' Acceptance.

(b) BANKERS' ACCEPTANCES IN BLANK. To facilitate the acceptance of Bankers' Acceptances under this Agreement, the Canadian Borrowers shall, upon execution of this Agreement and from time to time as required, provide to the Canadian Agent drafts, in form satisfactory to the Canadian Agent, duly executed and endorsed in blank by the Canadian Borrowers in quantities sufficient for each Canadian Bank to fulfill its obligations hereunder. In addition, the Canadian Borrowers hereby appoint each Canadian Bank as its attorney to sign and endorse on its behalf, in handwriting or by facsimile or mechanical signature as and when deemed necessary by such Canadian Bank, blank forms of Bankers' Acceptances. The Canadian Borrowers recognize and agree that all Bankers' Acceptances signed and/or endorsed on their behalf by a Canadian Bank shall bind the Canadian Borrowers as fully and effectually as if signed in the handwriting of and duly issued by the proper signing officers of the Canadian Borrowers. Each Canadian Bank is hereby authorized to issue such Bankers' Acceptances endorsed in blank in such face amounts as may be determined by such Canadian Bank provided that the aggregate amount thereof is equal to the aggregate amount of Bankers' Acceptances required to be accepted by such Bank pursuant to clause (d) below. No Canadian Bank shall be responsible or liable for its failure to accept a Bankers' Acceptance if the cause of such failure is, in whole or in part, due to the failure of the Canadian Borrowers to provide duly executed and endorsed drafts to the Canadian Agent on a timely basis nor shall any Canadian Bank or the Canadian Agent be liable for any damage, loss or other claim arising by reason of any loss or improper use of any such instrument except loss or improper use arising by reason of the gross negligence or willful misconduct of such Bank or the Canadian Agent, its officers, employees, agents or representatives. Each Canadian Bank shall maintain a record with respect to Bankers' Acceptances (A) received by it from the Canadian Agent in blank hereunder, (B) voided by it for any reason, (C) accepted by it hereunder, (D) purchased by it hereunder and (E) cancelled at their respective maturities. Each Canadian Bank further agrees to retain such records in the manner and for the statutory periods provided in the various Canadian provincial or federal statutes and regulations which apply to such Bank.

(c) EXECUTION OF BANKERS' ACCEPTANCES. Drafts of the Canadian Borrowers to be accepted as Bankers' Acceptances hereunder shall be duly executed by one or more duly authorized officers on behalf of the Canadian Borrowers. Notwithstanding that any Person

whose signature appears on any Bankers' Acceptance as a signatory for the Canadian Borrowers may no longer be an authorized signatory for the Canadian Borrowers at the date of issuance of a Bankers' Acceptance, such signature shall nevertheless be valid and sufficient for all purposes as if such authority had remained in force at the time of such issuance and any such Bankers' Acceptance so signed shall be binding on the Canadian Borrowers.

(d) ISSUANCE OF BANKERS' ACCEPTANCES. Promptly following receipt of a Bankers' Acceptance Notice, the Canadian Agent shall so advise the Canadian Banks of the face amount of each Bankers' Acceptance to be accepted by it and the term thereof. The aggregate face amount of Bankers' Acceptances to be accepted by a Canadian Bank shall be determined by the Canadian Agent by reference to the respective Canadian Commitments of the Canadian Banks, except that, if the face amount of a Bankers' Acceptance, which would otherwise be accepted by a Canadian Bank, would not be C$100,000 or an integral multiple thereof, such face amount shall be increased or reduced by the Canadian Agent in its sole and unfettered discretion to the nearest integral multiple of C$100,000.

(e) ACCEPTANCES OF BANKERS' ACCEPTANCES. Each Bankers' Acceptance to be accepted by a Canadian Bank shall be accepted at such Bank's office shown on SCHEDULE 3 hereof or as otherwise designated by said Canadian Bank from time to time.

(f) PURCHASE OF BANKERS' ACCEPTANCES. On the relevant date of borrowing, each Canadian Bank severally agrees to purchase from the Canadian Borrowers, at the face amount thereof discounted by the

Applicable BA Discount Rate, any Bankers' Acceptance accepted by it and provide to the Canadian Agent, for the account of the Canadian Borrowers, the BA Discount Proceeds in respect thereof after deducting therefrom the amount of the Acceptance Fee payable by the Canadian Borrowers to such Bank under Section 3.3 in respect of such Bankers' Acceptance.

(g) SALE OF BANKERS' ACCEPTANCES. Each Canadian Bank may at any time and from time to time hold, sell, rediscount or otherwise dispose of any or all Bankers' Acceptances accepted and purchased by it.

(h) WAIVER OF PRESENTMENT AND OTHER CONDITIONS. Each of the Canadian Borrowers waives presentment for payment and any other defense to payment of any amounts due to a Canadian Bank in respect of a Bankers' Acceptance accepted by such Canadian Bank

pursuant to this Agreement which might exist solely by reason of such Bankers' Acceptance being held, at the maturity thereof, by such Bank in its own right. The Canadian Borrowers shall not claim or require any days of grace or require the Canadian Agent or any Canadian Bank to claim any days of grace for the payment of any Bankers' Acceptance.

Section 3.2. REFUNDING BANKERS' ACCEPTANCES.

With respect to each Bankers' Acceptance, the Canadian Borrowers, prior to the occurrence and continuation of an Event of Default, may give irrevocable telephone or written notice (or such other method of notification as may be agreed upon between the Canadian Agent and the Canadian Borrowers) to the Canadian Agent at or before 2:00 p.m. (Boston time) two (2) Business Days prior to the maturity date of such Bankers' Acceptance followed by written confirmation electronically transmitted to the Canadian Agent on the same day, of the Canadian Borrowers' intention to issue one or more Bankers' Acceptances on such maturity date (each a "Refunding Bankers' Acceptance") to provide for the payment of such maturing Bankers' Acceptance (it being understood that payments by the Canadian Borrowers and fundings by the Canadian Banks in respect of each maturing Bankers' Acceptance and each related Refunding Bankers' Acceptance shall be made on a net basis reflecting the difference between the face amount of such maturing Bankers' Acceptance and the BA Discount Proceeds (net of the applicable Acceptance Fee) of such Refunding Bankers' Acceptance). Any funding on account of any maturing Bankers' Acceptance must be made at or before 12:00 noon (Boston time) on the maturity date of such Bankers' Acceptance. If the Canadian Borrowers fail to give such notice, the Canadian Borrowers shall be irrevocably deemed to have requested and to have been advanced a Canadian Prime Rate Loan in the face amount of such maturing Bankers' Acceptance on the maturity date of such maturing Bankers' Acceptance from the Canadian Bank which accepted such maturing Bankers' Acceptance, which Canadian Prime Rate Loan shall thereafter bear interest as such in accordance with the provisions hereof and otherwise shall be subject to all provisions of this Agreement applicable to Canadian Prime Rate Loans until paid in full.

Section 3.3 ACCEPTANCE FEE.

An acceptance fee (the "Acceptance Fee") shall be payable by the Canadian Borrowers to each Canadian Bank and each Canadian Bank shall deduct the amount of such Acceptance Fee from the BA Discount Proceeds (in the manner specified in Section 3.1(f) in respect of each Bankers' Acceptance), said fee to be calculated at a rate per annum equal to the Letter of Credit

Percentage calculated on the face amount of such Bankers' Acceptance and computed on the basis of the number of days in the term of such Bankers' Acceptance and a year of 365 days.

Section 3.4 CASH COLLATERAL.

Subject to Section 28, upon the occurrence and during the continuance of any Event of Default, and in addition to any other rights or remedies of any Canadian Bank and the Canadian Agent hereunder, any Canadian Bank or the Canadian Agent as and by way of collateral security (or such alternate arrangement as may be agreed upon by the Canadian Borrowers and such Canadian Bank or the Canadian Agent, as applicable) shall be entitled to deposit and retain in an account to be maintained by the Canadian Agent (bearing interest at the Canadian Agent's rates as may be applicable in respect of other deposits of similar amounts for similar terms) amounts which

are received by such Canadian Bank or the Canadian Agent from the Canadian Borrowers hereunder or as proceeds of the exercise of any rights or remedies of any Canadian Bank or the Canadian Agent hereunder against the Canadian Borrowers, to the extent such amounts may be required to satisfy any contingent or unmatured obligations or liabilities of the Canadian Borrowers to the Canadian Banks or the Canadian Agent, or any of them hereunder in respect of outstanding Bankers' Acceptances.

Section 3.5. CIRCUMSTANCES MAKING BANKERS' ACCEPTANCES UNAVAILABLE. If, by reason of circumstances affecting money markets generally, there is no market for bankers' acceptances (i) the right of the Canadian Borrowers to draw Bankers' Acceptances shall be suspended until the circumstances causing a suspension no longer exist, and (ii) any Bankers' Acceptance Notice which is outstanding shall be cancelled and the requested drawing shall not be made. The Canadian Agent shall promptly notify the Canadian Borrowers of the suspension of the Canadian Borrowers' right to request a drawing and of the termination of any such suspension.

Section 4. LETTERS OF CREDIT.

Section 4.1. LETTER OF CREDIT COMMITMENTS.

(a) Subject to the terms and conditions hereof and the execution and receipt of a Loan and Letter of Credit Request reflecting the Maximum Drawing Amount of all Domestic Letters of Credit (including the requested Domestic Letter of Credit) and a Letter of Credit Application, the applicable Issuing Banks, on behalf of the Domestic Revolving Credit Banks and in reliance upon the agreement of such Banks set forth in Section 4.1(c) and upon the representations and warranties of the Domestic Borrowers contained herein, agrees to issue standby letters of credit, in such form as may be requested from time to time by the Domestic Borrowers and agreed to by such Issuing Bank; PROVIDED, HOWEVER, that, after giving effect to such request, (i) the aggregate Maximum Drawing Amount of all letters of credit issued at any time under this Section 4.1(a) (the "Domestic Letters of Credit") shall not exceed $50,000,000 and (ii) the aggregate Maximum Drawing Amount of all Domestic Letters of Credit PLUS the sum of the outstanding amount of the Domestic Revolving Credit Loans shall not exceed the Total Domestic Commitment; and PROVIDED FURTHER that no Domestic Letter of Credit shall have an expiration date later than the earlier of (i) one year after the date of issuance of the Domestic Letter of Credit, or (ii) thirty (30) days prior to the Revolving Credit Maturity Date.

(b) Subject to the terms and conditions hereof and the execution and receipt of a Canadian Loan and Letter of Credit Request reflecting the Maximum Drawing Amount of all Canadian Letters of Credit (including the requested Canadian Letter of Credit) and a Letter of Credit Application, the applicable Issuing Bank, on behalf of the applicable Canadian Banks and in reliance upon the agreement of the Canadian Banks set forth in Section 4.1(c) and upon the representations and warranties of the Canadian Borrowers contained herein, agrees to issue standby letters of credit, in such form as may be requested from time to time by the Canadian Borrowers and agreed to by the applicable Issuing Bank; PROVIDED, HOWEVER, that, after giving effect to such request, (i) the aggregate Maximum Drawing Amount of all letters of credit issued at any time under this Section 4.1(b) (the "Canadian Letters of Credit") shall not exceed $1,000,000, and (ii) the aggregate Maximum Drawing Amount of all Canadian Letters of Credit PLUS the sum of the outstanding amount of the Canadian Loans PLUS all amounts owing with respect to Bankers' Acceptances shall not exceed the Total Canadian Commitment; and PROVIDED FURTHER that no Canadian Letter of Credit shall have an expiration date later than the earlier of (i) one year after the date of issuance of the Canadian Letter of Credit, or (ii) thirty (30) days prior to the Revolving Credit Maturity Date.

(c) Each Domestic Revolving Credit Bank and each Canadian Bank, as applicable, severally agrees that it shall be absolutely liable, without regard to the occurrence of any Default or Event of Default or any other condition precedent whatsoever, to the extent of such Bank's Commitment Percentage thereof, to reimburse the applicable Issuing Bank on demand for the amount of each draft paid by such Issuing

Bank under each applicable Letter of Credit to the extent that such amount is not reimbursed by the applicable Borrowers pursuant to Section 4.2 (such agreement for a Bank being called herein the "Letter of Credit Participation" of such Bank). The Issuing Banks shall not issue any Letter of Credit unless all of the conditions precedent under Section 11 hereof have been satisfied.

(d) Each such payment made by a Bank shall be treated as the purchase by such Bank of a participating interest in the applicable Borrowers' Reimbursement Obligation under Section 4.2 in an amount equal to such payment. Each Bank shall share in accordance with its participating interest in any interest which accrues pursuant to Section 4.2.

(e) All "Letters of Credit" (as defined in the January 1998 Credit Agreement) outstanding under the January 1998 Credit Agreement on the Effective Date shall become Domestic Letters of Credit hereunder. The Domestic Revolving Credit Banks' participations in such Letters of Credit will be reallocated on the Effective Date in accordance with each such Bank's applicable Domestic Commitment Percentage hereunder.

Section 4.2. REIMBURSEMENT OBLIGATION OF THE BORROWERS. In order to induce the applicable Issuing Banks to issue, extend and renew Letters of Credit and the Banks to participate therein, (i) the Domestic Borrowers hereby agree to reimburse or pay to the applicable Issuing Bank with respect to each Domestic Letter of Credit, and (ii) each of the Canadian Borrowers hereby jointly and severally agrees (to the fullest extent permitted by law) to reimburse or pay to the applicable Issuing Bank, with respect to each Canadian Letter of Credit issued, extended or renewed by such Issuing Bank hereunder as follows:

(a) if any draft presented under any Letter of Credit is honored by the applicable Issuing Bank or the applicable Issuing Bank otherwise makes payment with respect thereto, the sum of (i) the amount paid by such Issuing Bank under or with respect to such Letter of Credit, and (ii) the amount of any taxes, fees, charges or other costs and expenses whatsoever incurred by such Issuing Bank in connection with any payment made by such Issuing Bank under, or with respect to, such Letter of Credit, PROVIDED HOWEVER, if the applicable Borrowers do not reimburse the applicable Issuing Bank on the Drawdown Date, such amount shall, provided that no Event of Default under Section 13.1(g) or 13.1(h) has occurred, become automatically a Domestic Revolving Credit Loan which is a Base Rate Loan or a Canadian Loan which is a Canadian Base Rate Loan, as applicable,

advanced hereunder in an amount equal to such sum;

(b) upon the Revolving Credit Maturity Date or the acceleration of the Reimbursement Obligations with respect to all Letters of Credit in accordance with Section 13, an amount equal to the then Maximum Drawing Amount of (i) all Domestic Letters of Credit shall be paid by the Domestic Borrowers to the Administrative Agent and (ii) all Canadian Letters of Credit shall be paid by the Canadian Borrowers to the Canadian Agent, in each case to be held as cash collateral for the applicable Reimbursement Obligations; and

(c) the Domestic Borrowers promise to pay on the Revolving Credit Maturity Date all unpaid Reimbursement Obligations on such date relating to Domestic Letters of Credit, and each of the Canadian Borrowers, jointly and severally, (to the fullest extent permitted by law) promises to pay on the Revolving Credit Maturity Date all unpaid Reimbursement Obligations relating to Canadian Letters of Credit and all amounts owing with respect to Bankers' Acceptances. All such payments shall be made together with any and all accrued and unpaid interest thereon and any fees and other amounts owing hereunder.

Each such payment shall be made to the applicable Bank Agent at such Bank Agent's Head Office in immediately available funds. Interest on any and all amounts remaining unpaid by the Borrowers under this Section 4.2 at any time from the date such amounts become due and payable (whether as stated in this Section 4.2, by acceleration or otherwise) until payment in full (whether

before or after judgment) shall be payable to the applicable Bank Agent on demand at the rate specified in Section 5.7 for overdue amounts.

Section 4.3. LETTER OF CREDIT PAYMENTS.
If any draft shall be presented or other demand for payment shall be made under any Letter of Credit, the applicable Issuing Bank shall notify the applicable Borrowers of the date and amount of the draft presented or demand for payment and of the date and time when it expects to pay such draft or honor such demand for payment. On the date that such draft is paid or other payment is made by the applicable Issuing Bank, such Issuing Bank shall promptly notify the applicable Banks of the amount of any unpaid Reimbursement Obligation. All such unpaid Reimbursement Obligations with respect to Letters of Credit shall, PROVIDED that no Event of Default under Section 13(g) or 13(h) has occurred, become automatically a Loan. No later than 3:00 p.m. (Boston time) on the Business Day next following the receipt of such notice, each applicable Bank shall make available to the applicable Issuing Bank, at such Issuing Bank's Head Office, in immediately available funds, such Bank's Commitment Percentage of such unpaid Reimbursement

Obligation, together with an amount equal to the product of (a) the average, computed for the period referred to in clause (c) below, of the weighted average interest rate paid by such Issuing Bank for federal funds or corresponding Canadian funds, as applicable acquired by such Issuing Bank during each day included in such period, TIMES (b) the amount equal to such Bank's Commitment Percentage of such unpaid Reimbursement Obligation, TIMES (c) a fraction, the numerator of which is the number of days that have elapsed from and including the date the applicable Issuing Bank paid the draft presented for honor or otherwise made payment until the date on which such Bank's Commitment Percentage of such unpaid Reimbursement Obligation shall become immediately available to such Issuing Bank, and the denominator of which is 365. The responsibility of the applicable Issuing Bank to the applicable Borrowers and the applicable Banks shall be only to determine that the documents (including each draft) delivered under each Letter of Credit in connection with such presentment shall be in conformity in all material respects with such Letter of Credit.

Section 4.4. OBLIGATIONS ABSOLUTE.
The Borrowers' respective obligations under this Section 4 shall be absolute and unconditional under any and all circumstances and irrespective of the occurrence of any Default or Event of Default or any condition precedent whatsoever or any setoff, counterclaim or defense to payment which the Borrowers may have or have had against the applicable Issuing Bank, any Bank or any beneficiary of a Letter of Credit. The Borrowers further agree with the Issuing Banks and the Revolving Credit Banks that the Issuing Banks and the Revolving Credit Banks shall not be responsible for, and the Borrowers' Reimbursement Obligations under Section 3.2 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrowers, the beneficiary of any Letter of Credit or any financing institution or other party to which any Letter of Credit may be transferred or any claims or defenses whatsoever of the Borrowers against the beneficiary of any Letter of Credit or any such transferee. The Issuing Banks and the Revolving Credit Banks shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit. The Borrowers agree that any action taken or omitted by any Issuing Bank or any Revolving Credit Bank under or in connection with each Letter of Credit and the related drafts and documents, if done in good faith, shall be binding upon the Borrowers and shall not result in any liability on the part of any Issuing Bank or any Revolving Credit Bank to the Borrowers.

Section 4.5. RELIANCE BY ISSUING BANK.

To the extent not inconsistent with Section 4.3, the Issuing Banks shall be entitled to rely, and shall be fully protected in relying upon, any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel, independent accountants and other experts selected by such Issuing Bank.

Section 4A. THE TERM LOAN.

Section 4A.1. COMMITMENT TO LEND.

Subject to the terms and conditions set forth in this Agreement, each Term Loan Lender agrees to lend to the Domestic Borrowers (a) on the Effective Date the amount of its Term Loan Percentage of the principal amount of $75,000,000, and (b) on the earlier of (i) January 31, 2000, or (ii) the completion of syndication, as reasonably determined by the Arranger, the amount of its Term Loan Percentage of the principal amount of $75,000,000.

Section 4A.2. THE TERM NOTES.

The Term Loan shall be evidenced by separate promissory notes of the Domestic Borrowers in substantially the form of EXHIBIT A-4 hereto (each a "Term Note"), dated the Effective Date (or such other date on which a Term Loan Lender may become a party hereto in accordance with Section 19 hereof) and completed with appropriate insertions. One Term Note shall be payable to the order of each Term Loan Lender in a principal amount equal to such Bank's Term Loan Percentage of the Term Loan and representing the obligation of the Domestic Borrowers to pay to such Bank such principal amount or, if less, the outstanding amount of such Bank's Term Loan Percentage of the Term Loan, plus interest accrued thereon, as set forth below. The Domestic Borrowers irrevocably authorize each Term Loan Lender to make or cause to be made a notation on such Bank's Term Note Record reflecting the original principal amount of such Bank's Term Loan Percentage of the Term Loan and, at or about the time of such Bank's receipt of any principal payment on such Bank's Term Note, an appropriate notation on such Bank's Term Note Record reflecting such payment. The aggregate unpaid amount set forth on such Bank's Term Note Record shall be PRIMA FACIE evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount on such Bank's Term Note Record shall not affect the obligations of the Domestic Borrowers hereunder or under any Term Note to make payments of principal of and interest on any Term Note when due.

Section 4A.3. SCHEDULE OF INSTALLMENT PAYMENTS OF PRINCIPAL OF TERM LOAN.

The Domestic Borrowers jointly and severally promise to pay to the Administrative Agent for the account of the Term Loan Lenders, in accordance with their respective Term Loan Percentages, the principal amount of the Term Loan in six (6) consecutive payments, each such payment equal to one percent (1%) of the notional amount of the Term Loan, and due and payable on each anniversary of the Term Loan, commencing on the first anniversary of such Term Loan, with a final additional payment on the Term Loan Maturity Date in an amount equal to the unpaid balance of the Term Loan.

Section 4A.4. MANDATORY PREPAYMENTS OF TERM LOAN.

Section 4A.4.1. MANDATORY PREPAYMENTS.

(a) In the event that Net Cash Proceeds received from the restructuring of a Power Purchase Agreement exceed $5,000,000, the Domestic Borrowers will use any such excess amount to pay down the Term Loan.

(b) In the event that Net Cash Proceeds received from the asset sales exceed $5,000,000 per annum (other than sales in the ordinary course of business and sales permitted under Section 8.4.2(a) - (d)), the Domestic Borrowers will use any such excess amount to pay down the Term Loan.

(c) One-hundred percent (100%) of the Net Cash Proceeds of any permitted debt offering shall be used by the Domestic Borrowers to pay down the Term Loan.

(d) Fifty-percent (50%) of the Net Equity Proceeds of any issuance of new common stock by the Parent, including the Equity Offering, but excluding stock issued as payment for acquisitions permitted pursuant Section 8.4, shall be used by the Domestic Borrowers to pay down the Term Loan.

(e) Seventy-five percent (75%) of Excess Operating Cash Flow in each fiscal year shall be used to pay down the Term Loan within three (3) days of delivery of the year-end financial statements to

the Administrative Agent.

Section 4A.4.2. PAYMENT PROVISIONS.

Each prepayment of the Term Loan required by this Section 4A.4 shall be allocated among the Term Loan Lenders in accordance with each such Bank's Term Loan Percentage. Any prepayment of principal of the Term Loan shall include all interest accrued to the date of prepayment and shall be applied against the scheduled installments of principal due on the Term Loan in the inverse order of maturity. No amount repaid with respect to the Term Loan may be reborrowed. Any Term Loan Lender may decline to accept any payments due to such Term Loan Lender pursuant to this Section 4A.4. Any such payments declined with respect to Section 4A.4.1(a) shall be used to repay the Domestic Revolving Credit Loans (but not permanently reduce the Total Commitment) on a pro rata basis.

Section 4A.5. OPTIONAL PREPAYMENT OF TERM LOAN.

The Domestic Borrowers shall have the right at any time to prepay the Term Notes on or before the Term Loan Maturity Date, as a whole, or in part, upon not less than three (3) Business Days prior written notice to the Administrative Agent, without premium or penalty (other than the obligation to reimburse the Term Loan Lenders and the Administrative Agent pursuant to Section 5.14 hereof), PROVIDED that (i) each partial prepayment shall be in the principal amount of $1,000,000 or an integral multiple of $500,000 thereof, and (ii) each partial prepayment shall be allocated among the Term Loan Lenders in accordance with such Bank's Term Loan Percentage. Any prepayment of principal of the Term Loan shall include all interest accrued to the date of prepayment and shall be applied against the scheduled installments of principal due on the Term Loan in the inverse order of maturity. No amount repaid with respect to the Term Loan may be reborrowed.

Section 4A.6. INTEREST ON TERM LOAN.

Section 4A.6.1. INTEREST RATES.

Except as otherwise provided in Section 5.7, the Term Loan shall bear interest during each Interest Period relating to all or any portion of the Term Loan at the following rates:

(a) To the extent that all or any portion of the Term Loan bears interest during such Interest Period at the Base Rate, the Term Loan or such portion thereof shall bear interest during such Interest Period at the rate of 1.750% per annum (the "Term Loan Base Rate Margin") above the Base Rate.

(b) At the option of the Domestic Borrowers, and upon notice given to the Administrative Agent pursuant to Section 4A.6.2, so long as no Default or Event of Default has occurred or is continuing, to the extent that all or any portion of the Term Loan bears interest during such Interest Period at the Eurodollar Rate, the Term Loan or such portion shall bear interest during such Interest Period at the rate of 3.250% per annum (the "Term Loan Eurodollar Margin") above the Eurodollar Rate.

In the event that after the Effective Date and by March 31, 2000, the Parent shall have received Net Equity Proceeds of at least $100,000,000 from the Equity Offering, the Term Loan Base Rate Margin and the Term Loan Eurodollar Margin will be reduced by 0.250%. The Domestic Borrowers jointly and severally promise to pay interest on the Term Loan or any portion thereof outstanding during each Interest Period in arrears on each interest payment date applicable to such Interest Period and the Term Loan Maturity Date.

Section 4A.6.2. NOTIFICATION BY DOMESTIC BORROWERS.

The Domestic Borrowers shall notify the Administrative Agent, such notice to be irrevocable, at least three (3) Eurodollar Business Days prior to the Drawdown Date of the Term Loan (or any portion thereof) if all or any portion of the Term Loan is to bear interest at the Eurodollar Rate. After the Term Loan has been made, the provisions of Sections 5.13 -- 5.14 shall apply MUTATIS MUTANDIS with respect to all or any portion of the Term Loan so that the Domestic Borrowers may have the same interest rate options with respect to all or any portion of the Term Loan as they would be entitled to with respect to the other Domestic Loans, PROVIDED, HOWEVER, the Domestic Borrowers will have no

more than eight (8) different maturities of Eurodollar Rate Loans (whether a portion of the Term Loan or other Domestic Loans) outstanding at any time. In the event that the Domestic Borrowers fail to give the Administrative Agent notice with respect to the continuation of any Eurodollar Rate Loan hereunder within three (3) days prior to the expiration of the Interest Period relating thereto, then such Eurodollar Rate Loan shall be converted to a Base Rate Loan.

Section 4A.6.3. AMOUNTS, ETC.

Any portion of the Term Loan bearing interest at the Eurodollar Rate relating to any Interest Period shall be in the amount of $1,000,000 or an integral thereof. No Interest Period relating to the Term Loan or any portion thereof bearing interest at the Eurodollar Rate shall extend beyond the date

on which any regularly scheduled installment payment of the principal of the Term Loan is to be made unless a portion of the Term Loan at least equal to such installment payment has an Interest Period ending on such date or is then bearing interest at the Base Rate.

Section 5. INTEREST, FEES, PAYMENTS, COMPUTATIONS; JOINT AND SEVERAL LIABILITY; CERTAIN GENERAL PROVISIONS.

Section 5.1. INTEREST.

(a) Except as otherwise provided in Section 5.7, the outstanding principal amount of the Loans shall bear interest at the rate per annum equal to the Applicable Rate.

(b) Interest shall be payable (i) quarterly in arrears on the last Business Day of each calendar quarter for the quarter ending on such date, for Base Rate Loans, Canadian Base Rate Loans and Canadian Prime Rate Loans, (ii) on the earlier of (A) the last day of the applicable Interest Period, or (B) ninety (90) days after the Drawdown Date, on Eurodollar Rate Loans, and (iii) on the applicable Maturity Date for all Loans. Any change in the interest rate resulting from a change in the Base Rate, the Canadian Base Rate or the Canadian Prime Rate, as the case may be, is to be effective at the beginning of the day of such change in the Base Rate, the Canadian Base Rate or the Canadian Prime Rate, as the case may be.

Section 5.2. FEES.

(a) FACILITY FEE.
The Borrowers jointly and severally in accordance with Section 5.10 agree (to the fullest extent permitted by law) to pay to the Administrative Agent for the benefit of the Revolving Credit Banks a per annum facility fee in an amount equal to the Applicable Facility Fee Rate of the Total Commitment (regardless of usage) during each calendar quarter or portion thereof from the Effective Date to the Revolving Credit Maturity Date (or to the date of termination in full of the Total Commitment, if earlier). This facility fee shall be payable quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter, with a final payment on the Revolving Credit Maturity Date. The Administrative Agent agrees to pay to the Revolving Credit Banks the facility fee received under this Section 5.2(a) PRO-RATA in accordance with their Domestic Commitment Percentages or Canadian Commitment Percentages, as applicable.

(b) LETTER OF CREDIT FEES.

(i) The Domestic Borrowers jointly and severally in the case of Domestic Letters of Credit which are Financial L/Cs, and the Canadian Borrowers jointly and severally, (to the fullest extent permitted by law) in the case of Canadian Letters of Credit which are Financial L/Cs, shall pay a fee (the "Financial L/C Fee") to the Administrative Agent or the Canadian Agent, as applicable, for the benefit of the applicable Revolving Credit Banks, equal to the product of (A) the Letter of Credit Percentage multiplied by (B) the Maximum Drawing Amount of each Letter of Credit, to be shared pro-rata by each of such Banks in accordance with their respective Domestic Commitment Percentages or Canadian Commitment Percentages, as applicable.

(ii) The Domestic Borrowers jointly and severally in the case of Domestic Letters of Credit which are not Financial L/Cs, and the Canadian Borrowers jointly and severally, (to the fullest extent permitted by law) in the case of Canadian Letters of Credit which are not Financial L/Cs, shall pay a fee (the "Letter of Credit Fee") to the Administrative Agent or the Canadian Agent, as applicable, for the benefit of the applicable Revolving Credit Banks, equal to fifty percent (50%) of the product of (A) the Letter of Credit Percentage multiplied by (B) the Maximum Drawing Amount of each Letter of Credit on the date of calculation without taking into account any subsequent reductions in the Maximum Drawing Amount, to be shared pro-rata by each of such Banks in accordance with their respective Domestic Commitment Percentages or Canadian Commitment Percentages, as applicable.

(iii) The Financial L/C Fee and the Letter of Credit Fee shall be payable quarterly in advance on the first day of each calendar quarter and on the Revolving Credit Maturity Date. In addition, an issuing fee shall be payable to each Issuing Bank for its account in an amount equal to one eighth of one percent (1/8%) per annum of the Maximum Drawing Amount of each Letter of Credit issued by such Issuing Bank, PLUS any customary administrative fees of such Issuing Bank (the "Issuance Fee").

(c) The Borrowers shall pay to the Administrative Agent (i) for its own benefit, an agent's administrative fee and an underwriting fee, (ii) for the Arranger's benefit, an arranger's fee, and (iii) for the benefit of the applicable Banks, upfront fees and ticking fees, each as set forth in a separate letter agreement between the Borrowers and the Administrative Agent.

(d) UNDRAWN TERM LOAN FEE.

The Domestic Borrowers jointly and severally agree to pay to the Administrative Agent for the benefit of the Term Loan Lenders an undrawn term loan fee (the "Undrawn Term Loan Fee") in an amount equal to one-half of one percent (0.50%) of the undrawn portion of the Term Loan during each calendar quarter or portion thereof from the Effective Date to the date of the second draw under Section 4A.1, payable quarterly in arrears on the first day of each calendar quarter.

Section 5.3. PAYMENTS.

(a) All payments of principal, interest, Reimbursement Obligations, fees and any other amounts due hereunder or under any of the other Loan Documents shall be made to the Administrative Agent or the Canadian Agent, as the case may be, for the respective accounts of the applicable Banks ratably in accordance with their respective Commitments and the applicable Bank Agent, to be received at such Bank Agent's Head Office in immediately available funds by 1:00 p.m. (Boston time) on any due date.

(b) All payments by the Borrowers hereunder and under any of the other Loan Documents shall be made without setoff or counterclaim and free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions, withholdings, compulsory loans, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein unless the Borrowers are compelled by law to make such deduction or withholding. Except as otherwise provided in this Section 5.3, if any such obligation is imposed upon the Borrowers with respect to any amount payable by them hereunder or under any of the other Loan Documents, the applicable Borrowers will pay to the Administrative Agent or the Canadian Agent, as the case may be, for the account of the applicable Banks or the Administrative Agent or the Canadian Agent (as the case may be), on the date on which such amount is due and payable hereunder or under such other Loan Document, such additional amount in Dollars or Canadian Dollars, as applicable, as shall be necessary to enable the applicable Banks, the Administrative Agent or the Canadian Agent to receive the same net amount which such Banks, the Administrative Agent or the Canadian Agent would have received on such due date had no such obligation been imposed upon the Borrowers. The Borrowers will deliver promptly to the Bank certificates or other valid vouchers for all taxes or other charges deducted from or paid with respect to payments made by the Borrowers hereunder or under such other Loan Document.

(c) Each Domestic Bank that is not incorporated under the laws of

the United States of America or a state thereof or the District of Columbia (a "Non-U.S. Lender") agrees that, prior to the first date on which any payment is due to it hereunder, it will deliver to the Domestic Borrowers and the Administrative Agent (i) two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI or successor applicable form, as the case may be, certifying in each case that such Non-U.S. Lender is entitled to receive payments under this Agreement and the Notes payable to it, without deduction or withholding of any United States federal income taxes, or (ii) if such Bank is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code and intends to claim exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest," a Form W-8, or any subsequent versions thereof or successors thereto (and, if such Non-U.S. Lender delivers a Form W-8, a certificate (a "Section 5.2(c)(ii) Certificate") representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c) of the Code), is not a ten-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrowers and is not a controlled foreign corporation related to the Borrowers (within the meaning of Section 864(d)(4) of the Code)), properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. Federal withholding tax on payments of interest by the Domestic Borrowers under this Agreement and the other Loan Documents. Each Non-U.S. Lender that so delivers a Form W-8BEN or W-8ECI, or a Form W-8 and a Section 5.2(c)(ii) Certificate, as the case may be, pursuant to the preceding sentence further undertakes to deliver to each of the Domestic Borrowers and the Administrative Agent two further copies of Form W-8BEN or W-8ECI, or Form W-8 and Section 5.2(c)(ii) Certificate, as the case may be, or successor applicable form, or other manner of certification, as the case may be, on or before the date that any such letter or form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Domestic Borrowers, and such extensions or renewals thereof as may reasonably be requested by the Domestic Borrowers, certifying in the case of a Form W-8BEN or W-8ECI, or a Form W-8 and a Section 5.2(c)(ii) Certificate, as the case may be, that such Non-U.S. Lender is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Non-U.S. Lender from duly completing and delivering any such form with respect to it and such Non-U.S. Lender advises the Domestic Borrowers that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(d) In the event that the Domestic Borrowers are required to make such deduction or withholding as a result of the fact that a Lender is organized outside of the United States, such Bank shall use its reasonable best efforts to transfer its Loans to an affiliate organized within the United States if such transfer would have no adverse effect on such Lender or the Loans.

(e) Whenever a payment or fee hereunder or under any of the other Loan Documents becomes due on a day that is not a Business Day, the due date for such payment or fee shall be extended to the next succeeding Business Day, and interest shall accrue during such extension; PROVIDED THAT any Interest Period for any Eurodollar Rate Loan which ends on a day that is not a Eurodollar Business Day shall end on the next succeeding Eurodollar Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Eurodollar Business Day.

Section 5.4. COMPUTATIONS.

(a) Except as otherwise expressly provided herein, all computations of interest, Financial L/C Fees, Letter of Credit Fees or other fees shall be based on a 360-day year and paid for the actual number of days elapsed. Computations of the Facility Fees, the Undrawn Term Loan Fees, the interest on Base Rate Loans, Canadian Prime Rate Loans, Canadian Base Rate Loans, the Applicable BA Discount Rate and the Acceptance Fees shall be based on a 365 or 366, as applicable, day year and paid for the actual number of days elapsed. Whenever a payment hereunder or under any of the other Loan Documents becomes due on a day that is not a Business Day, the due date for such payment shall be extended to the next succeeding Business Day, and interest shall accrue during such extension; PROVIDED THAT for any Interest Period for any Eurodollar Rate Loan if such next succeeding Business Day falls in the

next succeeding calendar month or after the Maturity Date, it shall be deemed to end on the next preceding Business Day.

(b) All computations of outstanding Loans, Commitment availability, mandatory prepayments, or other matters hereunder shall be made in US$ or U.S. Dollar Equivalents.

Section 5.5. CAPITAL ADEQUACY.
If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule, or regulation, or any change in the

interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or any corporation controlling such Bank) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or any corporation controlling such Bank) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 30 days after demand by such Bank, the Canadian Borrowers, in the case of Canadian Banks, and the Domestic Borrowers in the case of the Domestic Banks, shall pay to such Bank such additional amount or amounts as will, in such Bank's reasonable determination, fairly compensate such Bank (or any corporation controlling such Bank) for such reduction. Each Bank shall allocate such cost increases among its customers in good faith and on an equitable basis.

Section 5.6. CERTIFICATE.
A certificate setting forth any additional amounts payable pursuant to Section 5.5 and a reasonable explanation of such amounts which are due, submitted by any Bank or Bank Agent to the applicable Borrowers, shall be conclusive, absent manifest error, that such amounts are due and owing.

Section 5.7. INTEREST ON OVERDUE AMOUNTS.
Overdue principal and (to the extent permitted by applicable law) interest on the Loans and all other overdue amounts payable hereunder or under any of the other Loan Documents shall bear interest compounded monthly and payable on demand at a rate per annum equal to the Applicable Rate for Base Rate Loans PLUS two percentage points (2.00%) until such amount shall be paid in full (after as well as before judgment).

Section 5.8. INTEREST LIMITATION.

(a) Notwithstanding any other term of this Agreement or the Notes, any other Loan Document or any other document referred to herein or therein, the maximum amount of interest which may be charged to or collected from any Person liable hereunder or under the Notes by any Bank shall be absolutely limited to, and shall in no event exceed, the maximum amount of interest which could lawfully be charged or collected by such Bank under applicable laws (including, to the extent applicable, the provisions of Section 5197 of the Revised Statutes of the United States of America, as amended, 12 U.S.C. Section 85, as amended

and the Criminal Code (Canada), as amended).

(b) With respect to Canadian Loans, whenever interest is payable hereunder on the basis of a year of 360 days, for the purposes of the Interest Act (Canada), as amended, the yearly rate of interest which is equivalent to the rate payable hereunder is the rate payable hereunder multiplied by the actual number of days in the year and divided by 360. All interest will be calculated using the nominal rate method and not the effective rate method and the deemed reinvestment principle shall not apply to such calculations.

Section 5.9. ADDITIONAL COSTS, ETC.
If any present or future applicable law, which expression, as used herein, includes statutes, rules and regulations thereunder and interpretations thereof by any competent court or by any governmental or other regulatory body or

official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time hereafter made upon or otherwise issued to any Bank by any central bank or other fiscal, monetary or other authority (whether or not having the force of law), shall impose on any Bank any tax, levy, impost, duty, charge, fees, deduction or withholdings of any nature or requirements with respect to this Agreement, the other Loan Documents, the Loans, such Bank's Commitment, the Letters of Credit or any class of loans or commitments or letters of credit of which any of the Loans, the Commitment or the Letters of Credit forms a part, and the result of any of the foregoing is:

(i) to increase the cost to such Bank of making, funding, issuing, renewing, extending or maintaining the Loans, such Bank's Domestic Commitment or Canadian Commitment, the Letters of Credit, or the Bankers' Acceptances; or

(ii) to reduce the amount of principal, interest, fees or other amount payable to such Bank hereunder on account of such Bank's Domestic Commitment or Canadian Commitment, the Loans, drawings under the Letters of Credit or the Bankers' Acceptances, or

(iii) to require such Bank to make any payment or to forego any interest or other sum payable hereunder, the amount of which payment or foregone interest or other sum is calculated by reference to the gross amount of any sum receivable or deemed received by such Bank from the Borrowers hereunder,

then, and in each such case, the Canadian Borrowers, in the case of Canadian Loans, Canadian Letters of Credit and Bankers' Acceptances, and the

Domestic Borrowers in each other case, will, upon demand made by such Bank at any time and from time to time and as often as the occasion therefor may arise, pay to such Bank such additional amounts as will be sufficient to compensate such Bank for such additional cost, reduction, payment or foregone interest or other sum (after such Bank shall have allocated the same fairly and equitably among all customers of any class generally affected thereby).

Section 5.10. CONCERNING JOINT AND SEVERAL LIABILITY OF THE BORROWERS.

(a) Each of the Domestic Borrowers is accepting joint and several liability for all of the Obligations (including the Canadian Obligations) hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Bank Agents and the Banks under this Agreement, for the mutual benefit, directly and indirectly, of each of the Borrowers and in consideration of the undertakings of each other Domestic Borrower to accept joint and several liability for the Obligations of both the Domestic Borrowers and the Canadian Borrowers. Each of the Canadian Borrowers, to the fullest extent permitted by applicable law, is accepting joint and several liability for the Canadian Obligations hereunder and under the other Loan Documents in consideration of the financial accommodation to be provided by the Bank Agents and the Banks under this Agreement, for the mutual benefit, directly or indirectly, of each of the Canadian Borrowers and in consideration of the undertakings of each other Canadian Borrower to accept (to the fullest extent permitted by law) the joint and several liability for the Canadian Obligations.

(b) Each of the Domestic Borrowers, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Domestic Borrowers with respect to the payment and performance of all of the Obligations of both the Domestic Borrowers and the Canadian Borrowers (including, without limitation, any Obligations arising under this Section 5.10), it being the intention of the parties hereto that all of the Obligations shall be the joint and several obligations of each of the Domestic Borrowers without preferences or distinction among them.

(c) To the fullest extent permitted by applicable law, each of the Canadian Borrowers, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as surety but also as co-debtor,

joint and several liability with all of the other Canadian Borrowers, with respect to the payment and performance of all of the Canadian Obligations (including without limitation any Canadian Obligations arising under this Section 5.10), it being the intention of the parties hereto that all of the Canadian Obligations shall be the joint and several obligations of each of the Canadian Borrowers without preference or distinction among them.

(d) If and to the extent that any of the Borrowers shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then in each such event the Domestic Borrowers will make such payment with respect to, or perform, such Obligation. If and to the extent that any of the Canadian Borrowers shall fail to make any payment with respect to any of the Canadian Obligations as and when due or to perform any of such Canadian Obligations in accordance with the terms thereof, then in each such event the other Canadian Borrowers, to the fullest extent permitted by applicable law, will make such payment with respect to, or perform, such Canadian Obligation.

(e) The applicable Obligations of each of the Borrowers under the provisions of this Section 5.10 constitute full recourse obligations of each of such Borrowers enforceable against each such Borrower to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or any other circumstance whatsoever.

(f) Except as otherwise expressly provided in this Agreement, each of the Borrowers, to the fullest extent permitted by applicable law, hereby waives notice of acceptance of its joint and several liability, notice of any Loans made under this Agreement, notice of any action at any time taken or omitted by the Bank Agents or the Banks under or in respect of any of the Obligations, and, generally, to the extent permitted by applicable law, all demands, notices and other formalities of every kind in connection with this Agreement. Each Borrower, to the fullest extent permitted by applicable law, hereby waives all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshaling of assets of the Borrowers and any other entity or Person primarily or secondarily liable with respect to any of the Obligations, and all suretyship defenses generally. Each of the Borrowers, to the fullest extent permitted by applicable law, hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of

the Obligations, the acceptance of any payment of any of the Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Banks at any time or times in respect of any default by any of the Borrowers in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever by the Banks in respect of any of the Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Obligations or the addition, substitution or release, in whole or in part, of any of the Borrowers. Without limiting the generality of the foregoing, each of the Borrowers assents to any other action or delay in acting or failure to act on the part of the Banks with respect to the failure by any of the Borrowers to comply with any of its respective Obligations or Canadian Obligations, as applicable, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this Section 5.10, afford grounds for terminating, discharging or relieving any of the Borrowers, in whole or in part, from any of its Obligations or Canadian Obligations, as applicable, under this Section 5.10, it being the intention of each of the Borrowers that, so long as any of the Obligations hereunder remain unsatisfied, the Obligations of such Borrowers under this Section 5.10 shall not be discharged except by performance and then only to the extent of such performance. The Obligations or Canadian Obligations, as applicable, of each of the Borrowers under this Section 5.10 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, re-construction or similar proceeding with respect to any of the Borrowers, the Bank Agents or the Banks. The joint and several

liability of the Borrowers hereunder (to the fullest extent permitted by law in the case of the Canadian Borrowers) shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, membership, constitution or place of formation of any of the Borrowers, the Bank Agents or the Banks.

(g) Each of the Borrowers hereby agrees that it will not enforce any of its rights of contribution or subrogation against the other Borrowers with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to any of the Banks or the Bank Agents with respect to any of the Obligations or any collateral security therefor until such time as all of the Obligations have been irrevocably paid in full in cash. Any claim which any Borrower may have against any other Borrower with

respect to any payments to the Banks or the Bank Agents hereunder or under any other Loan Document are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Obligations arising hereunder or thereunder, to the prior payment in full of the Obligations and, in the event of any insolvency, bankruptcy, receivership, liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any Borrower, its debts or its assets, whether voluntary or involuntary, all such Obligations shall be paid in full before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Borrower therefor.

(h) Each of Borrowers hereby agrees that the payment of any amounts due with respect to the indebtedness owing by any Borrower to any other Borrower is hereby subordinated to the prior payment in full in cash of the Obligations. Each Borrower hereby agrees that after the occurrences and during the continuance of any Default or Event of Default, such Borrower will not demand, sue for or otherwise attempt to collect any indebtedness of any other Borrower owing to such Borrower until the Obligations shall have been paid in full in cash. If, notwithstanding the foregoing sentence, such Borrower shall collect, enforce or receive any amounts in respect of such indebtedness before payment in full in cash of the Obligations, such amounts shall be collected, enforced, received by such Borrower as trustee for the relevant Bank Agent and be paid over to the relevant Bank Agent for the PRO RATA accounts of the relevant Bank (in accordance with each such Bank's Loan Percentage) to be applied to repay (or be held as security for the repayment of) the Obligations.

(i) The provisions of this Section 5.10 are made for the benefit of the Bank Agents and the Banks and their successors and assigns, and may be enforced in good faith by them from time to time against any or all of the Borrowers as often as the occasion therefor may arise and without requirement on the part of the Bank Agents or the Banks first to marshal any of their claims or to exercise any of their rights against any other Borrower or to exhaust any remedies available to them against any other Borrower or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this Section 5.10 shall remain in effect until all of the Obligations shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by the Bank Agents or the Banks upon the insolvency, bankruptcy or reorganization of any of the Borrowers or is

repaid in good faith settlement of a pending or threatened avoidance claim, or otherwise, the provisions of this Section 5.10 will forthwith be reinstated in effect, as though such payment had not been made.

(j) Each of the Borrowers hereby appoints the Parent, and the Parent hereby agrees, to act as its representative and authorized signor with respect to any notices, demands, communications or requests under this Agreement or the other Loan Documents, including, without limitation, with respect to Loan and Letter of Credit Requests,

Canadian Loan and Letter of Credit Requests and Compliance Certificate and pursuant to Section 21 of this Agreement.

Section 5.11 CURRENCY MATTERS.

Section 5.11.1 CURRENCY FLUCTUATIONS.

(a) Not later than 1:00 p.m. (Boston time) on the last Business Day of each calendar month (the "Calculation Date"), the Administrative Agent shall determine the Exchange Rate as of such date. The Exchange Rate so determined shall become effective on the first Business Day immediately following such determination (a "Reset Date") and shall remain effective until the next succeeding Reset Date.

(b) Not later than 4:00 p.m. (Boston time) on each Reset Date, the Administrative Agent shall consult with the Canadian Agent to determine the U.S. Dollar Equivalent of the outstanding Canadian Loans, Bankers' Acceptances and Canadian Letters of Credit denominated in Canadian Dollars.

(c) If, on any Reset Date and on the Revolving Credit Maturity Date, the aggregate outstanding amount (expressed in U.S. Dollars) of all Canadian Loans, the Maximum Drawing Amount with respect to Canadian Letters of Credit, and the aggregate face amount of all outstanding Bankers' Acceptances exceeds the Total Canadian Commitment by more than $100,000, then (i) the Canadian Agent shall give notice thereof to the Canadian Borrowers and the Canadian Banks and (ii) within two (2) Business Days thereafter, the Canadian Borrowers shall repay or prepay Canadian Loans in accordance with this Agreement in an aggregate principal amount such that, after giving effect thereto, the aggregate outstanding amount (expressed in U.S. Dollars) of all Canadian Loans, the Maximum Drawing Amount with respect to Canadian Letters of Credit and the aggregate face amount of all outstanding Bankers' Acceptances no longer exceeds the Total Canadian Commitment (expressed in U.S. Dollars).

(d) Without limiting subsection Section 5.11.1(c), if, on any day prior to the

Revolving Credit Maturity Date, the aggregate outstanding amount (expressed in U.S. Dollars) of all Canadian Loans, the Maximum Drawing Amount with respect to Canadian Letters of Credit and the aggregate face amount of all outstanding Bankers' Acceptances exceeds the Total Canadian Commitment by five percent (5%) or more, then (i) the Canadian Agent shall give notice thereof to the Canadian Borrowers and the Canadian Banks and (ii) within two (2) Business Days thereafter, the Canadian Borrowers shall repay or prepay Canadian Loans in accordance with this Agreement in an aggregate principal amount such that, after giving effect thereto, the aggregate outstanding amount (expressed in U.S. Dollars) of all Canadian Loans, the Maximum Drawing Amount with respect to Canadian Letters of Credit and the aggregate face amount of all outstanding Bankers' Acceptances no longer exceeds the Total Canadian Commitment (expressed in U.S. Dollars). Nothing set forth in this Section 5.11 shall be construed to require any Bank Agent to calculate daily compliance under this Section 5.11 unless expressly requested to do so by a Bank.

(e) To the extent the repayments and prepayments referenced in Section 5.11.1(c) and Section 5.11.1(d) are such that, after giving effect thereto, the Maximum Drawing Amount with respect to Canadian Letters of Credit and the aggregate face amount of all outstanding Bankers' Acceptances (expressed in U.S. Dollars) still exceeds the Total Canadian Commitment (expressed in U.S. Dollars), then the Canadian Borrowers shall within two (2) Business Days upon demand provide to the Canadian Agent cash collateral required to cover such remaining excess.

Section 5.11.2 CURRENCY OF ACCOUNT.

(a) No payment to either of the Bank Agents, the applicable Issuing Bank or any Bank (whether under any judgment or court order or otherwise) shall discharge the obligation or liability in respect of which it was made unless and until such Bank Agent, the applicable Issuing Bank or such Bank shall have received payment in full in the currency in which such obligation or liability was incurred, and to the extent that the amount of any such payment shall, on actual conversion into such currency, fall short of such obligation or liability actual or contingent expressed in that currency, the Domestic Borrowers or, with respect to the Canadian Obligations only, the Canadian Borrowers, shall indemnify and reimburse such Bank Agent, the applicable Issuing Bank or such Bank, as the case may be, with respect to the amount of the shortfall.

(b) If, for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in one currency (the "first currency") into any other currency (the "second currency") the conversion

shall be made at the Spot Rate of exchange of the applicable Bank Agent (as conclusively determined by such Bank Agent absent manifest error) on the Business Day preceding the day on which the final judgment is given. If, however, on the Business Day following receipt by the applicable Bank Agent in the second currency of any sum adjudged to be due hereunder (or any proportion thereof) such Bank Agent purchases the first currency with the amount of the second currency so received and the first currency so purchased falls short of the sum originally due hereunder in the first currency (or the same proportion thereof) the applicable Borrowers, shall, as a separate obligation and notwithstanding any judgment, pay to such Bank Agent in the first currency an amount equal to such shortfall.

Section 5.12. NEW BORROWERS. Any newly-created or newly-acquired Subsidiaries (other than Excluded Subsidiaries) shall become Borrowers hereunder by signing allonges to the Notes, entering into a joinder and affirmation to this Agreement in substantially the form of EXHIBIT G attached hereto providing that such Subsidiary shall become a Borrower hereunder, and providing such other documentation as the Banks or the Administrative Agent may reasonably request including, without limitation, documentation with respect to conditions noted in Section 10 hereof. In such event, the Administrative Agent is hereby authorized by the parties to amend SCHEDULE 1 hereto to include such Subsidiary as a Borrower hereunder.

Section 5.13. ELECTION OF EURODOLLAR RATE; NOTICE OF ELECTION; INTEREST PERIODS; MINIMUM AMOUNTS.

(a) At the Domestic Borrowers' option, so long as no Default or Event of Default has occurred and is then continuing, the Domestic Borrowers may (i) elect to convert any Base Rate Loan or a portion thereof to a Eurodollar Rate Loan, (ii) at the time of any Loan and Letter of Credit Request, specify that such requested Loan shall be a Eurodollar Rate Loan, or (iii) upon expiration of the applicable Interest Period, elect to maintain an existing Eurodollar Rate Loan as such, PROVIDED that the Domestic Borrowers give notice to the Administrative Agent pursuant to Section 5.13(b) hereof. Upon determining any Eurodollar Rate, the Administrative Agent shall forthwith provide notice thereof to the Domestic Borrowers and each Domestic Bank, and each such notice to the Domestic Borrowers shall be considered PRIMA FACIE correct and binding, absent manifest error.

(b) Three (3) Eurodollar Business Days prior to the making of any Eurodollar Rate Loan or the conversion of any Base Rate Loan to a Eurodollar Rate Loan, or, in the case of an outstanding Eurodollar Rate Loan, the expiration date of the applicable Interest Period, the

Domestic Borrowers shall give written, telex or telecopy notice received by the Administrative Agent not later than 11:00 a.m. (Boston time) of their election pursuant to Section 5.13(a). Each such notice delivered to the Administrative Agent shall specify the aggregate principal amount of the Loans to be borrowed or maintained as or converted to Eurodollar Rate Loans and the requested duration of the Interest Period that will be applicable to such Eurodollar Rate Loan, and shall be irrevocable and binding upon the Domestic Borrowers. If the Domestic Borrowers shall fail to give the Administrative Agent notice of their election hereunder together with all of the other information required by this Section 5.13(b) with respect to any Loan, whether at the end of an Interest Period or otherwise, such Loan shall be deemed a Base Rate Loan, and, if such Loan is an existing Eurodollar Rate Loan, shall be automatically converted to a Base Rate Loan on the last day of the Interest Period relating thereto. No Eurodollar Rate Loan may be continued as such when any Default or Event of Default has occurred and is continuing, but shall be automatically converted to a Base Rate Loan on the last day of the Interest Period relating thereto. The Administrative Agent shall promptly notify the applicable Bank(s) in writing (or by telephone confirmed in writing or by telecopy) of such election by the Borrowers hereunder.

(c) Notwithstanding anything herein to the contrary, the Borrowers may not specify an Interest Period that would extend beyond the applicable Maturity Date.

(d) In no event shall the Borrowers have more than eight (8) different maturities of borrowings of Eurodollar Rate Loans outstanding at any time.

Section 5.14. EURODOLLAR INDEMNITY

The Domestic Borrowers agree to indemnify the Domestic Banks and the Administrative Agent and to hold them harmless from and against any reasonable loss, cost or expense that the Domestic Banks and the Administrative Agent may sustain or incur as a consequence of (a) default by the Domestic Borrowers in payment of the principal amount of or any interest on any Eurodollar Rate Loans as and when due and payable, including any such loss or expense arising from interest or fees payable by any Domestic Bank or the Administrative Agent to lenders of funds obtained by it in order to maintain its Eurodollar Rate Loans, (b) default by the Domestic Borrowers in making a borrowing or conversion after the Domestic Borrowers have given (or are deemed to have given) notice pursuant to Section 2.6 or Section 5.13, and (c) the making of any payment of a Eurodollar Rate Loan or the making of any conversion of any such Eurodollar Rate Loan to a Base Rate

Loan on a day that is not the last day of the applicable Interest Period with respect thereto, including interest or fees payable by such Domestic Bank to lenders of funds obtained by it in order to maintain any such Loans.

Section 5.15. ILLEGALITY; INABILITY TO DETERMINE EURODOLLAR RATE.

Notwithstanding any other provision of this Agreement (other than Section 6.10) if (a) the introduction of, any change in, or any change in the interpretation of, any law or regulation applicable to any Domestic Bank or the Administrative Agent shall make it unlawful, or any central bank or other governmental authority having jurisdiction thereof shall assert that it is unlawful, for any Domestic Bank or the Administrative Agent to perform its obligations in respect of any Eurodollar Rate Loans, or (b) if any Domestic Bank or the Administrative Agent, as applicable shall reasonably determine with respect to Eurodollar Rate Loans that (i) by reason of circumstances affecting any Eurodollar interbank market, adequate and reasonable methods do not exist for ascertaining the Eurodollar Rate which would otherwise be applicable during any Interest Period, or (ii) deposits of Dollars in the relevant amount for the relevant Interest Period are not available to such Domestic Bank or the Administrative Agent in any Eurodollar interbank market, or (iii) the Eurodollar Rate does not or will not accurately reflect the cost to such Domestic Bank or the Administrative Agent of obtaining or maintaining the applicable Eurodollar Rate Loans during any Interest Period, then such Domestic Bank or the Administrative Agent shall promptly give telephonic, telex or cable notice of such determination to the applicable Domestic Borrowers (which notice shall be conclusive and binding upon such Domestic Borrowers). Upon such notification by such Domestic Bank or the Administrative Agent, the obligation of the Domestic Banks and the Administrative Agent to make Eurodollar Rate Loans shall be suspended until the Domestic Banks or the Administrative Agent, as the case may be, determine that such circumstances no longer exist, and to the extent permitted by law the outstanding Eurodollar Rate Loans shall continue to bear interest at the applicable rate based on the Eurodollar Rate until the end of the applicable Interest Period, and thereafter shall be deemed converted to Base Rate Loans in equal principal amounts of such former Eurodollar Rate Loans.

Section 6. REPRESENTATIONS AND WARRANTIES.

The Borrowers jointly and severally represent and warrant to the Banks that on and as of the date of this Agreement (any disclosure on a schedule pursuant to this Section 6 shall be deemed to apply to all relevant representations and warranties, regardless of whether such schedule is referenced in each relevant representation):

Section 6.1. CORPORATE AUTHORITY.

(a) INCORPORATION; GOOD STANDING.

Each of the Borrowers (i) is a corporation duly organized, validly existing and in good standing or in current status under the laws of its respective jurisdiction of incorporation, (ii) has all requisite corporate power to own its property and conduct its business as now conducted and as presently contemplated, and (iii) is in good standing as a foreign corporation and is duly authorized to do business in each jurisdiction in which its property or business as presently

conducted or contemplated makes such qualification necessary except where a failure to be so qualified would not have a material adverse effect on the business, assets or financial condition of such Borrower.

(b) AUTHORIZATION.
The execution, delivery and performance of its Loan Documents and the transactions contemplated hereby and thereby (i) are within the corporate authority of each of the Borrowers, (ii) have been duly authorized by all necessary corporate proceedings, (iii) do not conflict with or result in any material breach or contravention of any provision of law, statute, rule or regulation to which any of the Borrowers is subject or any judgment, order, writ, injunction, license or permit applicable to any of the Borrowers so as to materially adversely affect the assets, business or any activity of the Borrowers, and (iv) do not conflict with any provision of the corporate charter, articles or bylaws of the Borrowers or any agreement or other instrument binding upon the Borrowers.

(c) ENFORCEABILITY.
The execution, delivery and performance of the Loan Documents will result in valid and legally binding obligations of the Borrowers enforceable against each in accordance with the respective terms and provisions hereof and thereof, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that availability of the remedy of specific performance or injunctive relief or other equitable remedy is subject to the discretion of the court before which any proceeding therefor may be brought.

Section 6.2. GOVERNMENTAL APPROVALS.
The execution, delivery and performance by the Borrowers of the Loan Documents and the transactions contemplated hereby and thereby do not require any approval or consent of, or filing with, any governmental agency or authority other than those already obtained.

Section 6.3. TITLE TO PROPERTIES; LEASES
The Borrowers and KTI and its Subsidiaries own all of the assets reflected in the consolidated balance sheets as at the Interim Balance Sheet Date and the Interim KTI Balance Sheet Date, respectively, or acquired since that date (except property and assets sold or otherwise disposed of in the ordinary course of business since that date), subject to no mortgages, Capitalized Leases, conditional sales agreements, title retention agreements, liens or other encumbrances except Permitted Liens.

Section 6.4. FINANCIAL STATEMENTS; SOLVENCY.

(a) There has been furnished to the Banks (i) consolidated and consolidating balance sheets of the Parent and its Subsidiaries dated the Balance Sheet Date and consolidated statements of operations for the fiscal year then ended, certified by Arthur Andersen & Co. or an independent accounting firm of national standing acceptable to the Banks (the "Accountants"), (ii) unaudited consolidated balance sheets of the Parent and its Subsidiaries dated the Interim Balance Sheet Date and unaudited consolidated and consolidating statements of operations for the period then ended, and (iii) unaudited consolidated balance sheets of KTI and its Subsidiaries dated the Interim KTI Balance Sheet Date and unaudited consolidated statements of operations for the period then ended. Said balance sheets and statements of operations have been prepared in accordance with GAAP, fairly present in all material respects the financial condition of the Parent and its Subsidiaries, on a consolidated basis, and KTI and its Subsidiaries, on a consolidated basis, as at the close of business on the dates thereof and the results of operations for the periods then ended. There are no contingent liabilities of the Borrowers, or of KTI and its Subsidiaries, as of such dates involving material amounts, known to the officers of the Borrowers which have not been disclosed in said balance sheets and the related notes thereto, as the case may be.

(b) The Borrowers (both before and after giving effect to the transactions contemplated by this Agreement, including the KTI Purchase) are and will be solvent (i.e., they have assets having a fair value in excess of the amount required to pay their probable liabilities on their existing debts as they become absolute and

matured) and have, and expect to have, the ability to pay their debts from time to time incurred in connection therewith as such debts mature.

Section 6.5. NO MATERIAL CHANGES, ETC.

Since the Interim Balance Sheet Date and the Interim KTI Balance Sheet Date, respectively, there have occurred no material adverse changes in the financial condition or business of the Borrowers, or KTI and its Subsidiaries, as shown on or reflected in the consolidated balance sheet of the Borrowers or KTI and its Subsidiaries as at the Interim Balance Sheet Date and the Interim KTI Balance Sheet Date, respectively, or the consolidated statements of income for the periods then ended other than changes in the ordinary course of business which have not had any material adverse effect either individually or in the aggregate on the business or financial condition of the Parent, the Borrowers, or KTI and its Subsidiaries. Since the Interim Balance Sheet Date and the Interim KTI Balance Sheet Date, respectively, there has not been any Distribution (including Distributions by KTI and its Subsidiaries).

Section 6.6. PERMITS, FRANCHISES, PATENTS, COPYRIGHTS, ETC.
Each of the Borrowers possesses all material franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business substantially as now conducted without known conflict with any rights of others.

Section 6.7. LITIGATION.
Except as shown on SCHEDULES 6.7 and 6.16 hereto, there are no actions, suits, proceedings or investigations of any kind pending or, to the knowledge of the Borrowers, threatened against any Borrower before any court, tribunal or administrative agency or board which, if adversely determined, might, either in any case or in the aggregate, materially adversely affect the properties, assets, financial condition or business of the Borrowers, considered as a whole, or materially impair the right of the Borrowers, considered as a whole, to carry on business substantially as now conducted, or result in any substantial liability not adequately covered by insurance, or for which adequate reserves are not maintained on the consolidated balance sheet or which question the validity of any of the Loan Documents, or any action taken or to be taken pursuant hereto or thereto.

Section 6.8. NO MATERIALLY ADVERSE CONTRACTS, ETC.
None of the Borrowers is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Borrowers' officers has or is expected in the future to have a materially adverse effect on the business, assets or financial condition of the Borrowers as a whole. None of the Borrowers is a party to any contract or agreement which in the judgment of the Borrowers' officers has or is expected to have any materially adverse effect on the business of the Borrowers as a whole, except as otherwise reflected in adequate reserves. Neither the KTI Purchase, nor KTI and its Subsidiaries becoming parties to the Loan

Documents, will create a default in any material contract of KTI and its Subsidiaries.

Section 6.9. COMPLIANCE WITH OTHER INSTRUMENTS, LAWS, ETC.
None of the Borrowers is violating any provision of its charter documents or by-laws or any agreement or instrument by which any of them may be subject or by which any of them or any of their properties may be bound or any decree, order, judgment, or any statute, license, rule or regulation, in a manner which could result in the imposition of substantial penalties or materially and adversely affect the financial condition, properties or business of any of the Borrowers.

Section 6.10. TAX STATUS.
The Borrowers have made or filed all United States federal and state income and all Canadian federal and provincial or territorial income, as applicable and all other tax returns, reports and declarations required by any jurisdiction to which any of them are subject (unless and only to the extent that any Borrower has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes); and have paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith; and have set aside on their books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. All tax returns, report and declarations

required by any jurisdiction accurately disclose (except for discrepancies which are not material) the amount of tax payable by the Borrowers in the relevant jurisdiction except for the amounts being contested in good faith by the Borrowers. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Borrowers know of no basis for any such claim.

Section 6.11. NO EVENT OF DEFAULT.
No Default or Event of Default has occurred and is continuing.

Section 6.12. HOLDING COMPANY AND INVESTMENT COMPANY ACTS.
None of the Borrowers is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935; nor is any of them an "investment company", or an "affiliated company" or a "principal underwriter" of an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

Section 6.13. ABSENCE OF FINANCING STATEMENTS, ETC.

Except as contemplated by Section 8.2 of this Agreement and as set forth on

SCHEDULE 8.2(f) hereto, there is no effective financing statement, security agreement, chattel mortgage, real estate mortgage or other document filed or recorded with any filing records, registry, or other public office, which covers, affects or gives notice of any present or possible future lien on, or security interest in, any assets or property of any of the Borrowers or rights thereunder.

Section 6.14. EMPLOYEE BENEFIT PLANS.

(a) Each Employee Benefit Plan and each Guaranteed Pension Plan has been maintained and operated in compliance in all material respects with the provisions of ERISA and/or all Applicable Canadian Pension Legislation, as applicable, and, to the extent applicable, the Code, including but not limited to the provisions thereunder respecting prohibited transactions and the bonding of fiduciaries and other Persons handling plan funds as required by Section 412 of ERISA. All Employee Benefit Plans maintained by the Canadian Borrowers have been funded in accordance with Applicable Canadian Pension Legislation. Each Borrower has heretofore delivered to the Administrative Agent the most recently completed annual report, Form 5500, with all required attachments, and actuarial statement required to be submitted under Section 103(d) of ERISA, with respect to each Guaranteed Pension Plan.

(b) No Employee Benefit Plan, which is an employee welfare benefit plan within the meaning of Section 3(1) or Section 3(2)(B) of ERISA, provides benefit coverage subsequent to termination of employment, except as required by Title I, Part 6 of ERISA or the applicable state insurance laws. A Borrower may terminate each such Plan at any time (or at any time subsequent to the expiration of any applicable bargaining agreement) in the discretion of such Borrower without liability to any Person other than for claims arising prior to termination.

(c) Each contribution required to be made to a Guaranteed Pension Plan, whether required to be made to avoid the incurrence of an accumulated funding deficiency, the notice or lien provisions of Section 302(f) of ERISA, or otherwise, has been timely made. No waiver of an accumulated funding deficiency or extension of amortization periods has been received with respect to any Guaranteed Pension Plan, and no Borrower nor any ERISA Affiliate is obligated to or has posted security in connection with an amendment to a Guaranteed Pension Plan pursuant to Section 307 of ERISA or Section 401(a)(29) of the Code. No liability to the PBGC (other than required insurance premiums, all of which have been paid) has been incurred by any Borrower or any

ERISA Affiliate with respect to any Guaranteed Pension Plan and there has not been any ERISA Reportable Event (other than an ERISA Reportable Event as to which the requirement of 30 days notice has been waived), or any other event or condition which presents a material risk of

termination of any Guaranteed Pension Plan by the PBGC. Based on the latest valuation of each Guaranteed Pension Plan (which in each case occurred within twelve months of the date of this representation), and on the actuarial methods and assumptions employed for that valuation, the aggregate benefit liabilities of all such Guaranteed Pension Plans within the meaning of Section 4001 of ERISA did not exceed the aggregate value of the assets of all such Guaranteed Pension Plans, disregarding for this purpose the benefit liabilities and assets of any Guaranteed Pension Plan with assets in excess of benefit liabilities.

(d) No Borrower nor any ERISA Affiliate has incurred any material liability (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under Section 4201 of ERISA or as a result of a sale of assets described in Section 4204 of ERISA. No Borrower nor any ERISA Affiliate has been notified that any Multiemployer Plan is in reorganization or insolvent under and within the meaning of Section 4241 or Section 4245 of ERISA or is at risk of entering reorganization or becoming insolvent, or that any Multiemployer Plan intends to terminate or has been terminated under Section 4041A of ERISA.

Section 6.15. USE OF PROCEEDS.

The proceeds of the Loans shall be used for working capital and other general corporate purposes, to pay other indebtedness of the Borrowers, including up to $7,000,000 of the KTI Notes (to the extent required under the indenture relating to the KTI Notes), and to fund acquisitions permitted pursuant to Section 8.4 hereof. No proceeds of the Loans shall be used in any way that will violate Regulations U or X of the Board of Governors of the Federal Reserve System.

Section 6.16. ENVIRONMENTAL COMPLIANCE.

The Borrowers have taken all necessary steps to investigate the past and present condition and usage of the Real Properties and the operations conducted thereon and, based upon such diligent investigation, have determined that, except as shown on SCHEDULE 6.16:

(a) None of the Borrowers or Excluded Subsidiaries, nor any

operator of their properties, is in violation, or alleged violation, of any judgment, decree, order, law, permit, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under RCRA, CERCLA, the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, or any state or local or Canadian federal or provincial statute, regulation, ordinance, order or decree relating to health, safety or the environment (the "Environmental Laws"), which violation would have a material adverse effect on the business, assets or financial condition of the Parent and its Subsidiaries on a consolidated basis.

(b) (i) Except where it would not have a material adverse effect on the business, assets or financial condition of the Borrowers on a consolidated basis, (i) no portion of the Real Property has been used for the handling, processing, storage or disposal of Hazardous Substances; and no underground tank or other underground storage receptacle for Hazardous Substances is located on such properties; (ii) in the course of any activities conducted by the Borrowers, or, to the Borrowers' knowledge by any other operators of the Real Property, no Hazardous Substances have been generated or are being used on such properties; and (iii) to the Borrowers' knowledge, there have been no unpermitted Releases or threatened Releases of Hazardous Substances on, upon, into or from the Real Property.

Section 6.17. PERFECTION OF SECURITY INTERESTS.

All filings, assignments, pledges and deposits of documents or instruments have been made or will be made and all other actions have been taken or will be taken that are necessary under applicable law, or reasonably requested by the Administrative Agent or any of the Banks, to establish and perfect the Administrative Agent's security interests (as collateral agent for the applicable Banks) in the Collateral as described in the Security Documents. The Collateral and the Administrative Agent's rights (as collateral agent for the applicable Banks) with respect to the Collateral are not subject to any setoff, claims, withholdings or other defenses, except for Permitted Liens. The

Borrowers are the owners of the Collateral free from any lien, security interest, encumbrance and any other claim or demand, except for Permitted Liens.

Section 6.18. CERTAIN TRANSACTIONS.
Except as set forth on SCHEDUle 6.18 or as permitted in Section 8.3, and except for arm's length transactions pursuant to which the Borrowers make payments in the ordinary course of business upon terms no less favorable than the Borrowers could obtain from third parties, none of the officers, directors, or

employees of the Borrowers are presently a party to any transaction with the Borrowers (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Borrowers, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, the value of such transaction, when aggregated with all other such transactions occurring during the term of this Agreement, exceeds $5,000,000.

Section 6.19. SUBSIDIARIES.

SCHEDUlE 1 sets forth a complete and accurate list of the Subsidiaries, including the name of each Subsidiary and its jurisdiction of incorporation, together with the number of authorized and outstanding shares of each Subsidiary. Each Subsidiary, other than PERC, Timber, MERC and AAR, is directly or indirectly wholly owned by the Parent. The Parent or a Subsidiary of the Parent has good and marketable title to all of the shares it purports to own of the stock of each Subsidiary, free and clear in each case of any lien. All such shares have been duly issued and are fully paid and non-assessable. Each Subsidiary of the Parent, other than the Excluded Subsidiaries, is a Borrower hereunder.

Section 6.20. CAPITALIZATION.

(a) CAPITAL STOCK. As of the Effective Date, the authorized capital stock of the Parent consists of (i) 30,000,000 shares of Class A Common stock (par value $.01 per share) of which 9,778,745 shares are outstanding, (ii) 1,000,000 shares of Class B Common Stock (par value $.01 per share) of which 1,000,000 shares are outstanding, and (iii) 1,000,000 shares of Preferred Stock (par value $.01 per share) of which no shares are outstanding. All such outstanding shares have been duly issued and are fully paid and non-assessable.

(b) OPTIONS, ETC. Except as set forth on SCHEDULE 6.20(b), no Person has outstanding any rights (either pre-emptive or other) or options (except for the options for common stock issued to management employees, in accordance with a bona fide option plan approved by the Board of Directors of the Parent) to subscribe for or purchase from the Parent, or any warrants or other agreements providing for or requiring the issuance by the Parent of, any capital stock or any securities convertible into or exchangeable for its capital stock.

Section 6.21. TRUE COPIES OF CHARTER AND OTHER DOCUMENTS.
The Borrowers have furnished the Administrative Agent copies, in each case true and complete as of the Effective Date, of (a) all charter and other incorporation or constating documents (together with any amendments thereto) and (b) by-laws (together with any amendments thereto).

Section 6.22. DISCLOSURE.
No representation or warranty made by the Borrowers in this Agreement or in any agreement, instrument, document, certificate, statement or letter furnished to the Banks or the Administrative Agent by or on behalf of or at the request of the Borrowers in connection with any of the transactions contemplated by the Loan Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made.

Section 6.23. GUARANTEES OF EXCLUDED SUBSIDIARIES. Except as permitted under Sections 8.1 or 8.3, no Borrower has executed a guarantee with respect to debt incurred by an Excluded Subsidiary.

Section 6.24. YEAR 2000 ISSUE.

The Borrowers have reviewed the areas within their business and operations which could be adversely affected by, and have developed or are developing a program to address on a timely basis, the Year 2000 Issue. Based on such review and program, the Year 2000 Issue will not have a material adverse effect on their business and operations.

Section 7. AFFIRMATIVE COVENANTS OF THE BORROWERS.
The Borrowers covenant and agree that, so long as any Obligation or any Letter of Credit is outstanding or the Banks have any obligation to make Loans, or the Canadian Banks have any further obligation with respect to Bankers' Acceptances, or any Issuing Bank has any obligation to issue, extend or renew any Letters of Credit hereunder, or the Banks have any obligations to reimburse any Issuing Bank for drawings honored under any Letter of Credit hereunder:

Section 7.1. PUNCTUAL PAYMENT.
Each Borrower will duly and punctually pay or cause to be paid the principal and interest on the Loans, all Reimbursement Obligations, fees and other amounts provided for in this Agreement and the other Loan Documents for which it is liable, all in accordance with the terms of this Agreement and such other Loan Documents.

Section 7.2. MAINTENANCE OF OFFICE.
The Borrowers will maintain their chief executive offices at the locations set forth on SCHEDULE 1 attached hereto, or at such other place in the United States of America or Canada as each Borrower shall designate upon 30 days prior written notice to the applicable Bank Agent.

Section 7.3. RECORDS AND ACCOUNTS.
Each of the Borrowers will keep true and accurate records and books of account in which full, true and correct entries will be made in accordance with GAAP and with the requirements of all regulatory authorities and maintain adequate accounts and reserves for all taxes (including income taxes), depreciation, depletion, obsolescence and amortization of its properties, all other contingencies, and all other proper reserves.

Section 7.4. FINANCIAL STATEMENTS, CERTIFICATES AND INFORMATION.
The Borrowers will deliver to the Banks the following:

(a) as soon as practicable, but, in any event not later than 90 days after the end of each fiscal year of the Borrowers and the Excluded Subsidiaries, the (i) consolidated balance sheets of the Borrowers and the Excluded Subsidiaries, and (ii) consolidating balance sheets of each of the Borrowers and the Excluded Subsidiaries, as at the end of such year, statements of cash flows, and the related consolidated and consolidating statements of operations, each setting forth in comparative form the figures for the previous fiscal year, all such consolidated and consolidating financial statements to be in reasonable detail, prepared, in accordance with GAAP and, with respect to the consolidated financial statements, Certified by the Accountants. In addition, simultaneously therewith, the Borrowers will and will cause the Excluded Subsidiaries to use their best efforts to provide the Banks with a written statement from such Accountants to the effect that the Borrowers and the Excluded Subsidiaries are in compliance with the covenants set forth in Section 9 hereof, and that, in making the examination necessary to said certification, nothing has come to the attention of such Accountants that would indicate that any Default or Event of Default exists, or, if such accountants shall have obtained knowledge of any then existing Default or Event of Default they shall disclose in such statement any such Default or Event of Default; PROVIDED, that such Accountants shall not be liable to the Banks for failure to obtain knowledge of any Default or Event of Default;

(b) as soon as practicable, but in any event not later than 45 days after the end of each fiscal quarter of the Borrowers and the Excluded Subsidiaries, copies of (i) the consolidated balance sheets and statement of operations of the Borrowers and the Excluded Subsidiaries, and (ii) consolidating balance sheets and statement of operations of each of the Borrowers and the Excluded Subsidiaries, as at the end of such quarter including profit and loss statements by division, subject to year end adjustments, and the related statement of cash flows, all in reasonable detail and prepared in accordance with GAAP with a certification by the principal financial or accounting officer of the Borrowers and the Excluded Subsidiaries (the "CFO") that

the consolidated financial statements were prepared in accordance with GAAP and fairly present the consolidated financial condition of the Borrowers and the Excluded Subsidiaries as at the close of business on the date thereof and the results of operations for the period then ended;

(c) simultaneously with the delivery of the financial statements referred to in (a) and (b) above, a statement in the form of EXHIBIT D hereto (the "Compliance Certificate") certified by the CFO that the Borrowers and the Excluded Subsidiaries are in compliance with the covenants contained in Sections 7, 8 and 9 hereof as of the end of the applicable period setting forth in reasonable detail computations evidencing such compliance, PROVIDED that if the Borrowers and the Excluded Subsidiaries shall at the time of issuance of such certificate or at any other time obtain knowledge of any Default or Event of Default, the Borrowers will and will cause the Excluded Subsidiaries to include in such certificate or otherwise deliver forthwith to the Banks a certificate specifying the nature and period of existence thereof and what action the Borrowers and the Excluded Subsidiaries propose to take with respect thereto and a certificate of the Borrowers' and the Excluded Subsidiaries' Chief Operating Officer in the form attached hereto as EXHIBIT E with respect to environmental matters;

(d) contemporaneously with, or promptly following, the filing or mailing thereof, copies of all material of a financial nature filed with the Securities and Exchange Commission or sent to the stockholders of the Parent or any of the Borrowers;

(e) as soon as practicable, but in any event not later than 15 days after the end of each fiscal quarter, copies of the Borrowers' and the Excluded Subsidiaries' profit and loss statements by division, subject to year end adjustments, and the related statements of cash flows, all in reasonable detail and prepared in accordance with GAAP;

(f) as soon as practicable, but in any event not later than fifteen (15) days prior to the commencement of the next fiscal year of the Borrowers and the Excluded Subsidiaries, a copy of the annual budget, projections and business plan for the Borrowers and the Excluded Subsidiaries for such fiscal year; and

(g) from time to time such other financial data and other information (including accountants' management letters) as the Banks may reasonably request;

The Borrowers hereby authorize the Banks to disclose any information obtained pursuant to this Agreement to all appropriate governmental regulatory authorities where required by law; PROVIDED, HOWEVER, that the Banks shall, to the extent practicable and allowable under law, notify the Borrowers within a reasonable period prior to the time any such disclosure is made; and PROVIDED FURTHER, this authorization shall not be deemed to be a waiver of any rights to object to the disclosure by the Banks of any such information which any Borrower has or may have under the federal Right to Financial Privacy Act of 1978, as in effect from time to time.

Section 7.5. CORPORATE EXISTENCE AND CONDUCT OF BUSINESS
Except where the failure of a Borrower to remain so qualified would not materially adversely impair the financial condition of the Borrowers on a consolidated basis, each Borrower will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, corporate rights and franchises; effect and maintain its foreign qualifications, licensing, domestication or authorization except as terminated by its Board of Directors in the exercise of its reasonable judgment; use its best efforts to comply with all applicable laws; and shall not become obligated under any contract or binding arrangement which, at the time it was entered into would materially adversely impair the financial condition of the Borrowers, on a consolidated basis. Each Borrower will continue to engage primarily in the businesses now conducted by it and in related businesses.

Section 7.6. MAINTENANCE OF PROPERTIES.
The Borrowers will cause all material properties used or useful in the conduct of their businesses to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrowers may be necessary so that the businesses carried on in connection therewith may be properly and advantageously

conducted at all times; provided, HOWEVER, that nothing in this section shall prevent any Borrower from discontinuing the operation and maintenance of any of its properties if such discontinuance is,

in the judgment of such Borrower, desirable in the conduct of its or their business and which does not in the aggregate materially adversely affect the business of the Borrowers on a consolidated basis.

Section 7.7. INSURANCE.
The Borrowers will maintain with financially sound and reputable insurance companies, funds or underwriters' insurance of the kinds, covering the risks and in the relative proportionate amounts usually carried by reasonable and prudent companies conducting businesses similar to that of the Borrowers, but in no event less than the amounts and coverages set forth in SCHEDULE 7.7 hereto. In addition, the Borrowers will furnish from time to time, upon the Administrative Agent's request, a summary of the insurance coverage of each of the Borrowers, which summary shall be in form and substance satisfactory to the Administrative Agent and, if requested by the Administrative Agent, will furnish to the Administrative Agent copies of the applicable policies naming the Administrative Agent as a loss payee thereunder.

Section 7.8. TAXES.
The Borrowers will each duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all taxes, assessments and other governmental charges (other than taxes, assessments and other governmental charges imposed by jurisdictions other than the United States or Canada or a political division thereof which in the aggregate are not material to the business or assets of any Borrower on an individual basis or of the Borrowers on a consolidated basis) imposed upon it and its real properties, sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies, which if unpaid might by law become a lien or charge upon any of its property; PROVIDED, HOWEVER, that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if such Borrower shall have set aside on its books adequate reserves with respect thereto; and PROVIDED, FURTHER, that such Borrower will pay all such taxes, assessments, charges, levies or claims forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor.

Section 7.9. INSPECTION OF PROPERTIES, BOOKS, AND CONTRACTS.
The Borrowers shall permit the Banks, the Bank Agents or any of their designated representatives, upon reasonable notice, to visit and inspect any of the properties of the Borrowers, to examine the books of account of the Borrowers (including the making of periodic accounts receivable reviews), or contracts (and to make copies thereof and extracts therefrom), and to discuss the affairs, finances and accounts of the Borrowers with, and to be advised as to the same by, their officers, all at such times and intervals as the Banks

may reasonably request.

Section 7.10. COMPLIANCE WITH LAWS, CONTRACTS, LICENSES AND PERMITS; MAINTENANCE OF MATERIAL LICENSES AND PERMITS.
Each Borrower will, and will cause the Excluded Subsidiaries to, (i) comply with the provisions of its charter documents, articles of incorporation, other constating documents and by-laws and all agreements and instruments by which it or any of its properties may be bound; (ii) comply with all applicable laws and regulations (including Environmental Laws), decrees, orders, judgments, licenses and permits, including, without limitation, all environmental permits hereto ("Applicable Laws"), except where noncompliance with such Applicable Laws would not have a material adverse effect in the aggregate on the consolidated financial condition, properties or businesses of the Borrowers or the Excluded Subsidiaries; (iii) comply in all material respects with all agreements and instruments by which it or any of its properties may be bound; (iv) maintain all material operating permits for all landfills now owned or hereafter acquired; and (v) dispose of hazardous waste only at licensed disposal facilities operating, to the best of such Borrower's knowledge after reasonable inquiry, in compliance with Environmental Laws. If at any time while the Notes, or any Loan, Letter of Credit or Bankers' Acceptance is outstanding or any Bank or Bank Agent has any obligation to make Loans or issue Letters of Credit or accept and purchase Bankers' Acceptances hereunder, any authorization, consent, approval,

permit or license from any officer, agency or instrumentality of any government shall become necessary or required in order that any Borrower may fulfill any of its obligations hereunder, such Borrower will immediately take or cause to be taken all reasonable steps within the power of such Borrower to obtain such authorization, consent, approval, permit or license and furnish the Banks with evidence thereof.

Section 7.11. ENVIRONMENTAL INDEMNIFICATION.

The Borrowers covenant and agree that they will jointly and severally, (to the fullest extent permitted by law) in accordance with Section 5.10, indemnify and hold the Bank Agents and the Banks, and their respective affiliates, agents, directors, officers and shareholders, harmless from and against any and all claims, expense, damage, loss or liability incurred by such indemnified parties (including all costs of legal representation incurred by such indemnified parties) relating to (a) any Release or threatened Release of Hazardous Substances on the Real Property; (b) any violation of any Environmental Laws with respect to conditions at the Real Property or the operations conducted thereon; or (c) the investigation or remediation of offsite locations at which the Borrowers, or their predecessors are alleged to have directly or indirectly Disposed of Hazardous Substances. It is expressly acknowledged by the Borrowers that this covenant of indemnification shall

survive any foreclosure or any modification, release or discharge of any or all of the Security Documents or the payment of the Loans and shall inure to the benefit of the Bank Agents and the Banks and their respective successors and assigns.

Section 7.12. FURTHER ASSURANCES.
The Borrowers will cooperate with the Banks and execute such further instruments and documents as the Banks shall reasonably request to carry out to the Banks' satisfaction the transactions contemplated by this Agreement.

Section 7.13. NOTICE OF POTENTIAL CLAIMS OR LITIGATION.
The Borrowers shall deliver to the Banks, within 30 days of receipt thereof, written notice of the initiation of any action, claim, complaint, or any other notice of dispute or potential litigation (including without limitation any alleged violation of any Environmental Law), wherein the potential liability is in excess of $500,000, together with a copy of each such notice received by any Borrower or the Excluded Subsidiaries.

Section 7.14. NOTICE OF CERTAIN EVENTS CONCERNING INSURANCE AND ENVIRONMENTAL CLAIMS.

(a) The Borrowers will provide the Banks with written notice as to any material cancellation or material adverse change in any insurance of any of the Borrowers within ten (10) Business Days after such Borrower's receipt of any notice (whether formal or informal) of such material cancellation or material change by any of its insurers.

(b) The Borrowers will promptly notify the Banks in writing of any of the following events:

(i) upon any Borrower's obtaining knowledge of any violation of any Environmental Law which violation could have a material adverse effect on the business, financial condition, or assets of the Borrowers on a consolidated basis;

(ii) upon any Borrower's obtaining knowledge of any potential or known Release, or threat of Release, of any Hazardous Substance at, from, or into the Real Property which could materially affect the business, financial condition, or assets of the Borrowers on a consolidated basis;

(iii) upon any Borrower's receipt of any notice of any material violation of any Environmental Law or of any Release or threatened Release of Hazardous Substances, including a

notice or claim of liability or potential responsibility from any third party (including any federal,

state, provincial, territorial or local governmental officials) and including notice of any formal inquiry, proceeding, demand, investigation or other action with regard to (A) any Borrower's or any Person's operation of the Real Property, (B) the presence or Release of Hazardous Substances on, from, or into the Real Property, or (C) investigation or remediation of offsite locations at which any Borrower or its predecessors are alleged to have directly or indirectly Released Hazardous Substances, and with respect to which the liability associated therewith could be reasonably expected to exceed $1,000,000; or

(iv) upon any Borrower's obtaining knowledge that any expense or loss which individually or in the aggregate exceeds $1,000,000 has been incurred by such governmental authority in connection with the assessment, containment, removal or remediation of any Hazardous Substances with respect to which any Borrower may be liable or for which a lien may be imposed on the Real Property.

Section 7.15. NOTICE OF DEFAULT.
The Borrowers will promptly notify the Banks in writing of the occurrence of any Default or Event of Default. If any Person shall give any notice or take any other action in respect of a claimed default (whether or not constituting an Event of Default) under this Agreement or any other note, evidence of indebtedness, indenture or other obligation evidencing indebtedness in excess of $1,000,000 as to which any Borrower is a party or obligor, whether as principal or surety, the Borrowers shall forthwith give written notice thereof to the Banks, describing the notice of action and the nature of the claimed default.

Section 7.16. CLOSURE AND POST CLOSURE LIABILITIES.
The Borrowers shall at all times adequately accrue, in accordance with GAAP, and fund, as required by applicable Environmental Laws, all closure and post closure liabilities with respect to the operations of the Borrowers.

Section 7.17. SUBSIDIARIES.
The Parent shall at all times directly or indirectly through a Subsidiary own all of the shares of the capital stock or equivalent ownership interests of each Subsidiary, other than PERC, Timber, MERC and AAR.

Section 7.18. INTEREST RATE PROTECTION.
The Borrowers will, prior to March 31, 2000, have an aggregate amount of not less than 40% of the notional amount of Consolidated Funded

Indebtedness as of the Effective Date (the "40% Amount") on a fixed rate long term basis or subject to Swap Contracts on terms and conditions reasonably acceptable to the Administrative Agent.

Section 8. CERTAIN NEGATIVE COVENANTS OF THE BORROWERS.
The Borrowers covenant and agree that, so long as any Obligation or any Letter of Credit is outstanding or the Banks have any obligation to make Loans, or the Canadian Banks have any further obligation with respect to Bankers' Acceptances, or any Issuing Bank has any obligation to issue, extend or renew any Letters of Credit hereunder, or the Banks have any obligations to reimburse any Issuing Bank for drawings honored under any Letter of Credit hereunder:

Section 8.1. RESTRICTIONS ON INDEBTEDNESS
None of the Borrowers or Excluded Subsidiaries shall become or be a guarantor or surety of, or otherwise create, incur, assume, or be or remain liable, contingently or otherwise, with respect to any Indebtedness, or become or be responsible in any manner (whether by agreement to purchase any obligations, stock, assets, goods or services, or to supply or advance any funds, assets, goods or services or otherwise) with respect to any undertaking or Indebtedness of any other Person, or incur any Indebtedness other than:

(a) Indebtedness of the Borrowers to the Banks and the Bank Agents arising under this Agreement or the Loan Documents;

(b) Subject to Section 8.9, Seller Subordinated Debt in addition to that listed on Schedule 8.1(c), in an aggregate outstanding principal amount not to exceed $15,000,000;

(c) Existing Indebtedness of the Borrowers with respect to loans and Capitalized Leases listed on SCHEDULE 8.1(c), on the terms

and conditions in effect as of the date hereof, together with any renewals, extensions or refinancings thereof on terms which are not materially different than those in effect as of the date hereof;

(d) endorsements for collection, deposit or negotiation and warranties of products or services (including unsecured performance and payment bonds ("Performance Bonds")), in each case incurred in the ordinary course of business;

(e) indebtedness of the Borrowers incurred in connection with the acquisition or lease of any equipment by the Borrowers under any synthetic lease, Capitalized Lease or other lease arrangement or purchase money financing; PROVIDED that the aggregate outstanding

principal amount of such indebtedness of the Borrowers shall not exceed $20,000,000 at any time;

(f) Indebtedness of PERC and Timber not to exceed $60,000,000; PROVIDED that no Borrower shall guarantee or secure any such Indebtedness;

(g) Indebtedness of the Borrowers in respect of Swap Contracts satisfactory to the Administrative Agent;

(h) Indebtedness of the Borrowers under fuel price swaps, fuel price caps, and fuel price collar or floor agreements, and similar agreements or arrangements designed to protect against or manage fluctuations in fuel prices with respect to fuel purchased in the ordinary course of business of the Borrowers ("Fuel Derivatives Obligations"), PROVIDED that the aggregate amount of such agreements do not exceed $5,000,000, the maturity of such agreements do not exceed six (6) months, the terms are consistent with past practices of the Borrowers;

(i) Indebtedness to be incurred with respect to the guaranty by the Parent of the obligations of, or loan by the Parent to, Oakhurst up to $12,600,000, and Indebtedness incurred by KTI for Indebtedness of Timber in an amount not to exceed $3,000,000;

(j) Indebtedness of MERC with respect to the ING L/C for a period of not more than sixty (60) days from the Effective Date (unless the Required Banks have consented in writing to a longer term) and MERC subordinated debt listed on Schedule 8.1(c);

(k) Other unsecured Indebtedness incurred in connection with the acquisition by the Borrowers of real or personal property, including any Indebtedness incurred with respect to non-compete payments in connection with such acquisition(s), PROVIDED that the aggregate outstanding principal amount of such Indebtedness of the Borrowers shall not exceed $15,000,000 at any time; and

(l) Intercompany Indebtedness among the Borrowers.

Section 8.2. RESTRICTIONS ON LIENS.
None of the Borrowers or Excluded Subsidiaries will create or incur or suffer to be created or incurred or to exist any lien, encumbrance, mortgage, pledge, negative pledge, charge, restriction or other security interest of any kind upon any property or assets of any character, whether now owned or

hereafter acquired, or upon the income or profits therefrom; or transfer any of such property or assets or the income or profits therefrom for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to payment of its general creditors; or acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement; or suffer to exist for a period of more than 30 days after the same shall have been incurred any Indebtedness or claim or demand against it which if unpaid might by law or upon bankruptcy or insolvency, or otherwise, be given any priority whatsoever over its general creditors; or sell, assign, pledge or otherwise transfer any accounts, contract rights, general intangibles or chattel paper, with or without recourse, EXCEPT as follows (the "Permitted Liens"):

(a) liens on property to secure Indebtedness permitted under Section 8.1(e) hereof, provided that such Liens (i) shall encumber only the specific equipment being financed or leased, (ii) shall not exceed the fair market value thereof and (iii) shall not encumber property with an aggregate value in excess of $20,000,000;

(b) Liens to secure taxes, assessments and other government charges or claims for labor, material or supplies in respect of obligations not overdue;

(c) Deposits or pledges made in connection with, or to secure payment of, workmen's compensation, unemployment insurance, old age pensions or other social security obligations;

(d) Liens of carriers, warehousemen, mechanics and materialmen, and other like liens, in existence less than 120 days from the date of creation thereof in respect of obligations not overdue;

(e) Encumbrances consisting of easements, rights of way, zoning restrictions, restrictions on the use of Real Property and defects and irregularities in the title thereto, landlord's or lessor's liens under leases to which any Borrower is a party, and other minor liens or encumbrances none of which in the opinion of the respective Borrower interferes materially with the use of the property affected in the ordinary conduct of the business of such Borrower, which defects do not individually or in the aggregate have a material adverse effect on the business of such Borrower individually or of the Borrowers on a consolidated basis;

(f) Liens existing as of the date hereof securing Indebtedness permitted under Section 8.1(c) hereof and listed on SCHEDULE 8.2(f) hereto;

(g) Liens granted pursuant to the Security Documents to secure the Obligations (provided that secured Obligations hereunder with respect to Fuel Derivatives Obligations with Banks shall not exceed $4,000,000 in the aggregate);

(h) Liens on assets of PERC and Timber granted to secure the Indebtedness permitted by Section 8.1(f) hereof, provided that such Indebtedness is non-recourse to the Borrowers except with respect to the stock of PERC and Timber; and

(i) ING's mortgage on the MERC facility located in Saco, Maine for a period of not more than sixty (60) days from the Effective Date (unless the Required Banks have consented in writing to a longer term).

Section 8.3. RESTRICTIONS ON INVESTMENTS. None of the Borrowers shall make or permit to exist or to remain outstanding any other Investment other than:

(a) Investments in obligations of the United States of America or Canada and agencies thereof and obligations guaranteed by the United States of America or Canada that are due and payable within one year from the date of acquisition;

(b) certificates of deposit, time deposits, bankers' acceptances or repurchase agreements which are fully insured or are issued by commercial banks organized under the laws of the United States of America or any state thereof or Canada and having a combined capital, surplus, and undivided profits of not less than $500,000,000;

(c) commercial paper, maturing not more than nine months from the date of issue, PROVIDED that, at the time of purchase, such commercial paper is not rated lower than "P-1" by Moody's Investors Service, Inc., or "A-1" by Standard & Poor's Corporation;

(d) Investments associated with insurance policies required or allowed by state or provincial law to be posted as financial assurance for landfill closure and post-closure liabilities;

(e) Investments by any Borrower in any wholly owned Subsidiary which is also a Borrower;

(f) Investments existing on the date hereof and listed on SCHEDULE 8.3(F) hereto;

(g) any money market account, short-term asset management account or similar investment account maintained with one of the Banks;

(h) loans made to employees in an aggregate amount not to exceed $5,000,000 at any time outstanding;

(i) existing Investments in PERC and Timber, and additional Investments after the Effective Date shall not exceed $5,000,000 in the aggregate at any time;

(j) up to $5,000,000 in Investments in the Insurance Subsidiary;

(k) Existing Investments in the De Minimis Subsidiaries; and

(l) other Investments not to exceed $1,000,000 in the aggregate at any time outstanding;

PROVIDED; that none of the Borrowers shall make or permit to exist or to remain outstanding any Investment in any Subsidiary unless both before and after giving effect thereto there does not exist a Default or Event of Default and no Default or Event of Default would be created by the making of such Investment.

SECTION 8.4. MERGERS, CONSOLIDATIONS, SALES.

SECTION 8.4.1. MERGERS AND ACQUISITIONS.
The Borrowers will not become a party to any merger, amalgamation, or consolidation, or agree to or effect any asset acquisition or stock acquisition (other than the acquisition of assets in the ordinary course of business consistent with past practices) except the merger or consolidation of, or asset or stock acquisitions between existing Borrowers and except as otherwise provided in this Section 8.4.1. The Borrowers may purchase or otherwise acquire all or substantially all of the assets or stock or other equity interests of any other Person PROVIDED THAT:

(a) the Borrowers are in current compliance with and, giving effect to the proposed acquisition (including any borrowings made or to be made in connection therewith), will continue to be in compliance

with all of the covenants in Section 9 hereof on a pro forma historical combined basis as if the transaction occurred on the first day of the period of measurement, and the Administrative Agent and the Banks shall have received a Compliance Certificate demonstrating compliance with Section 9 on a pro forma historical combined basis as if the transaction occurred on the first day of the period of measurement;

(b) at the time of such acquisition, no Default or Event of Default has occurred and is continuing, and such acquisition will not otherwise create a Default or an Event of Default hereunder;

(c) the business to be acquired is predominantly in the same lines of business as the Borrowers, or businesses reasonably related or incidental thereto (e.g., non-hazardous solid waste collection, transfer, hauling, recycling, or disposal);

(d) the business to be acquired operates predominantly in the United States or Canada;

(e) all of the assets to be acquired shall be owned by an existing or newly created Subsidiary of the Parent which Subsidiary shall be a Borrower, 100% of the stock or other equity interests (and, in the case of a Canadian acquisition, 100% of the assets) of which have been or, simultaneously with such acquisition, will be pledged to the Administrative Agent on behalf of the Banks or, in the case of a stock or other equity interest acquisition, the acquired company, simultaneously with such acquisition, shall become a Borrower or shall be merged or amalgamated with and into a wholly owned Subsidiary that is a Borrower and such newly acquired or created Subsidiary shall otherwise comply with the provisions of Section 7.17 hereof;

(f) not later than seven (7) days prior to the proposed acquisition date, a copy of the purchase agreement and financial projections, together with audited (if available, or otherwise unaudited) financial statements for any Subsidiary or division to be acquired or created, for the preceding two (2) fiscal years or such shorter period of time as such Subsidiary or division has been in existence shall have been furnished to the Administrative Agent, if the cash consideration in connection with any such acquisition, including the aggregate amount of all liabilities assumed, but excluding the payment of all fees and expenses relating to such purchase, exceeds $10,000,000 (a "Material Acquisition");

(g) not later than seven (7) days prior to the proposed acquisition date, (1) a summary of the Borrowers' results of their standard due diligence review, and (2) in the case of a landfill acquisition, a review by a Consulting Engineer and a copy of the Consulting Engineer's report shall have been furnished to the Administrative Agent, only in cases of Material Acquisitions or upon request by the Administrative Agent;

(h) the board of directors and (if required by applicable law) the shareholders, or the equivalent thereof, of the business to be acquired has approved such acquisition and written evidence of such approval shall have been furnished to the Banks;

(i) if such acquisition is made by a merger or amalgamation, a Borrower, or a wholly-owned Subsidiary of the Parent which shall become a Borrower in connection with such merger, shall be the surviving entity; and

(j) cash consideration to be paid by such Borrower in connection with any such acquisition or series of related acquisitions (including cash deferred payments, contingent or otherwise, and the aggregate amount of all liabilities assumed), shall not exceed $25,000,000 without the consent of the Administrative Agent and the Required Banks.

SECTION 8.4.2. DISPOSITIONS OF ASSETS. Subject to Section 4A.4.1, no Borrower will become a party to or agree to or effect any disposition of assets in excess of 5% of Consolidated Total Assets in the aggregate (the "Basket"), PROVIDED THAT the Borrowers may sell (a) PERC and Timber, PROVIDED FURTHER THAT the Net Cash Proceeds of such a sale, after the repayment of any Indebtedness of such Excluded Subsidiary, shall be applied toward repayment of the Consolidated Funded Indebtedness, (b) Total Waste Management Corporation, a wholly-owned Subsidiary of KTI, (c) the Bangor Warrants, and (d) KTI Plastic; PROVIDED FURTHER THAT any sale pursuant to subsections (b) - (d) must occur on or prior to June 30, 2000. Notwithstanding the foregoing, the sale of inventory, the licensing of intellectual property and the disposition of obsolete assets, in each case in the ordinary course of business consistent with past practices, are permitted hereunder without being charged against the Basket.

SECTION 8.5. SALE AND LEASEBACK. None of the Borrowers shall enter into any arrangement, directly or indirectly, whereby any Borrower shall sell or transfer any property owned by it in order then or thereafter to lease such property or lease other property which such Borrower intends to use for substantially the same purpose as the property being sold or transferred, without the prior written consent of the Banks.

SECTION 8.6. RESTRICTED DISTRIBUTIONS AND REDEMPTIONS. None of the Borrowers will declare or pay any cash Distributions; PROVIDED that (a) any Subsidiary may declare or pay cash Distributions to the Parent and (b) so long as no Default or Event of Default has occurred and is continuing, or would occur after giving effect thereto, the Parent may make cash Distributions to its shareholders in an aggregate amount, together with redemptions permitted by the following sentence, not to exceed $500,000 during the term of this Agreement. In addition, the Borrowers shall not redeem, convert, retire or otherwise acquire shares of any class of capital stock of the Borrowers or Excluded Subsidiaries in aggregate amount, together with cash Distributions by

the Parent permitted by the previous sentence, in excess of $500,000 during the term of this Agreement.

SECTION 8.7. EMPLOYEE BENEFIT PLANS.
None of the Borrowers nor any ERISA Affiliate will:

(a) engage in any "prohibited transaction" within the meaning of Section 406 of ERISA or Section 4975 of the Code which could result in a material liability for any Borrower; or

(b) permit any Guaranteed Pension Plan to incur an "accumulated funding deficiency", as such term is defined in Section 302 of ERISA, whether or not such deficiency is or may be waived; or

(c) fail to contribute to any Guaranteed Pension Plan to an extent which, or terminate any Guaranteed Pension Plan in a manner which, could result in the imposition of a lien or encumbrance on the assets of any Borrower pursuant to Section 302(f) or Section 4068 of ERISA; or

(d) permit or take any action which would result in the aggregate benefit liabilities (with the meaning of Section 4001 of ERISA) of all Guaranteed Pension Plans exceeding the value of the aggregate assets of such Plans, disregarding for this purpose the benefit liabilities and assets of any such Plan with assets in excess of benefit liabilities.

The Borrowers will (i) promptly upon filing the same with the Department of Labor or Internal Revenue Service, furnish to the Banks a copy of the most recent actuarial statement required to be submitted under Section 103(d) of ERISA and Annual Report, Form 5500, with all required attachments, in respect of each Guaranteed Pension Plan and (ii) promptly upon receipt or dispatch, furnish to the Banks any notice, report or demand

sent or received in respect of a Guaranteed Pension Plan under Sections 302, 4041, 4042, 4043, 4063, 4065, 4066 and 4068 of ERISA, or in respect of a Multiemployer Plan, under Sections 4041A, 4202, 4219, or 4245 of ERISA.

SECTION 8.8. CAPITAL EXPENDITURES.
As at the end of any fiscal quarter, the Borrowers will not permit the amount of Capital Expenditures (excluding any acquisitions permitted by Section 8.4 hereof) made by the Borrowers in the period of four (4) consecutive fiscal quarters then ended to exceed an amount equal to 2.0 times the sum of depreciation and landfill amortization expense for such period (calculated in accordance with GAAP).

SECTION 8.9. PREPAYMENTS OF CERTAIN OBLIGATIONS.
None of the Borrowers will amend, supplement or otherwise modify the terms of the Clinton Lease, prepay the Clinton Lease, terminate the Clinton Lease, or exercise any option to purchase the landfill and related property subject to the Clinton Lease during the term of this Agreement without the prior written consent of the Administrative Agent. The Borrowers will not make any payments of the Seller Subordinated Debt other than scheduled payments of principal and interest permitted under the applicable Subordination Agreements, PROVIDED that so long as no Default or Event of Default has occurred and is continuing, nor would be created by the making of such payment, the Borrowers may (a) prepay Seller Subordinated Debt in an aggregate amount not to exceed $3,000,000, and (b) pay KTI Notes in aggregate amount not to exceed $7,000,000, during the term of this Agreement.

SECTION 8.10. NEGATIVE PLEDGE.
The Borrowers will not enter into any agreement containing any provision prohibiting the creation or assumption of any lien or security interest upon its properties (other than prohibitions on liens for particular assets set forth in a security instrument in connection with secured Indebtedness permitted by Section 8.1(e) relating to such assets and the granting or effect of such liens does not otherwise constitute a Default or Event of Default), revenues or assets, whether now owned or hereafter acquired, or restricting the ability of the Borrowers to amend or modify this Agreement or any other Loan Document.

SECTION 9. FINANCIAL COVENANTS OF THE BORROWERS.
The Borrowers covenant and agree that, so long as any Obligation or any Letter of Credit is outstanding or the Banks have any obligation to make

Loans, or the Canadian Banks have any further obligation with respect to Bankers' Acceptances, or any Issuing Bank has any obligation to issue, extend or renew any Letters of Credit hereunder, or the Banks have any obligations to reimburse any Issuing Bank for drawings honored under any

Letter of Credit hereunder:

SECTION 9.1. INTEREST COVERAGE RATIOS.
As of the end of any fiscal quarter, the ratio of EBITDA to Consolidated Total Interest Expense shall not be less than the stated ratio for the respective periods set forth below:

Period	Ratio
Effective Date through 1/31/01	2.50:1
Thereafter	3.50:1

PROVIDED, that any adjustments made pursuant to clause (e) of the definition of EBITDA shall not be included in the calculation of this Section 9.1. For the purposes of this Section 9.1, the ratio shall be calculated on a cumulative quarterly basis for the fiscal quarters ending January 31, 2000 through October 31, 2000, and thereafter for the four fiscal quarters then ending.

SECTION 9.2. PROFITABLE OPERATIONS.
The Borrowers will not permit Consolidated Net Income PLus the adjustments in clauses (f), (g) and (h) of EBITDA, to be less than $0 in any quarter.

SECTION 9.3. BORROWERS' FUNDED DEBT TO EBITDA RATIO.
The Borrowers will not permit the ratio of (a) Consolidated Funded Indebtedness to (b) EBITDA as at the end of any fiscal quarter to exceed the stated ratio for the respective periods set forth below:

Period	Ratio
Effective Date through 6/30/00	4.00:1
7/31/00 through 1/31/01	3.75:1
Thereafter	3.50:1

For the purposes of this Section 9.3, EBITDA (a) for the fiscal quarter ending January 31, 2000, shall be the Combined First Quarter Amount for such quarter multiplied by four (4), (b) for the fiscal quarter ending April 30, 2000, shall be the Combined First Quarter Amount PLUS EBITDA for the fiscal quarter ending on such date multiplied by two (2), (c) for the fiscal quarter ending July 31, 2000, shall be the Combined First Quarter Amount PLUS EBITDA for the period of two consecutive fiscal quarters ending on such date multiplied by 1.33, (d) for the fiscal quarter ending October 31, 2000, shall be the Combined First Quarter Amount PLUS EBITDA for the period of three fiscal quarters ending on such date, and (e) for the fiscal quarter ending

January 31, 2001 and all fiscal quarters ending thereafter, shall be the EBITDA for the period of four (4) consecutive fiscal quarters ending on such date.

SECTION 9.4. FUNDED DEBT TO CAPITALIZATION.
As of the end of any fiscal quarter, the Borrowers shall not permit the ratio of (a) Consolidated Funded Indebtedness to (b) the sum of (i) Consolidated Funded Indebtedness PLUS (ii) shareholder's equity in the Parent as determined in accordance with GAAP ("Capitalization") to exceed the stated ratio for the respective periods set forth below:

Period	Ratio

Effective Date through 1/31/01	0.70:1
Thereafter	0.65:1.

SECTION 9.5. TOTAL FUNDED DEBT TO EBITDA RATIO.
As at the end of any fiscal quarter, the ratio of (a) Total Consolidated Funded Indebtedness to (b) EBITDA shall not exceed 4.00:1. For the purposes of this Section 9.5, EBITDA (a) for the fiscal quarter ending January 31, 2000, shall be the Combined First Quarter Amount for such quarter multiplied by four (4), (b) for the fiscal quarter ending April 30, 2000, shall be the Combined First Quarter Amount PLUS EBITDA for the fiscal quarter ending on such date multiplied by two (2), (c) for the fiscal quarter ending July 31, 2000, shall be the Combined First Quarter Amount PLUS EBITDA for the period of two consecutive fiscal quarters ending on such date multiplied by 1.33, (d) for the fiscal quarter ending October 31, 2000, shall be the Combined First Quarter Amount PLUS EBITDA for the period of three fiscal quarters ending on such date, and (e) for the fiscal quarter ending January 31, 2001 and all fiscal quarters ending thereafter, shall be the EBITDA for the period of four (4) consecutive fiscal quarters ending on such date.

SECTION 10. CLOSING CONDITIONS.
The obligations of the Banks to make the Loans and any Issuing Bank to issue Letters of Credit or accept and purchase Bankers' Acceptances and otherwise be bound by the terms of this Agreement shall be subject to the satisfaction of each of the following conditions precedent, PROVIDED that each condition shall be met on or before January 31, 2000 (the date all such conditions are met herein being referred to as the "Effective Date"):

SECTION 10.1. CORPORATE ACTION.
All corporate action necessary for the valid execution, delivery and performance by each Borrower of the Loan Documents shall have been duly and effectively taken, and evidence thereof satisfactory to the Administrative

Agent shall have been provided to the Administrative Agent.

SECTION 10.2. LOAN DOCUMENTS, ETC.
Each of the Loan Documents shall have been duly and properly authorized, executed and delivered by the respective parties thereto and shall be in full force and effect in a form satisfactory to the Banks, other than those documents noted in the Post-Closing Letter.

SECTION 10.3. OFFICER'S CERTIFICATE; CERTIFIED COPIES OF CHARTER DOCUMENTS.
For each Borrower that was a party to the January 1998 Credit Agreement, the Administrative Agent shall have received a certificate of a duly authorized officer of such Person as to the existence, good standing, status or compliance, as applicable and lack of changes to its charter documents since last delivered to the Administrative Agent. For each of the New Borrowers, the Administrative Agent shall have received from the Borrowers a copy, certified by a duly authorized officer of such Person to be true and complete on the Effective Date, of each of (a) its charter or other incorporation or constating documents (including certificates of merger or amalgamation and name changes) as in effect on such date of certification, and (b) its by-laws as in effect on such date.

SECTION 10.4. INCUMBENCY CERTIFICATE.
The Administrative Agent shall have received an incumbency certificate from each Borrower, dated as of the Effective Date, signed by duly authorized officers giving the name and bearing a specimen signature of each individual who shall be authorized: (a) to sign the Loan Documents on behalf of the Borrowers; (b) to make Loan and Letter of Credit Requests or Canadian Loan and Letter of Credit Requests, as applicable; and (c) to give notices and to take other action on the Borrowers' behalf under the Loan Documents.

SECTION 10.5. VALIDITY OF LIENS.
The Security Documents (other than the Canadian Pledge Agreement and the Canadian Security Agreements) shall be effective to create in favor of the Administrative Agent (as collateral agent for the Banks) a legal, valid and enforceable first security interest in and lien upon the Collateral, subject only to Permitted Liens. All filings, recordings, deliveries of instruments and other actions necessary or desirable in the opinion of the Administrative Agent to protect and preserve such security interests, shall have been duly effected. The Administrative Agent shall have received evidence thereof in form and

substance satisfactory to the Administrative Agent.

SECTION 10.6. KTI PURCHASE.
The Parent's purchase of KTI as described in the Agreement and Plan of Merger dated as of January 12, 1999 (as amended to date, the "KTI

Purchase"), shall be successfully completed on terms no less favorable to the Parent than the terms set forth in the KTI Purchase documents, and evidence thereof satisfactory to the Administrative Agent, including, without limitation, a legal opinion as to the completion of the KTI Purchase, shall have been furnished to the Administrative Agent.

SECTION 10.7. CERTIFICATES OF INSURANCE.
The Administrative Agent shall have received (i) a certificate of insurance from an independent insurance broker dated as of the Effective Date, or within 15 days prior thereto, identifying insurers, types of insurance, insurance limits, and policy terms, and otherwise describing the insurance obtained in accordance with the provisions of the Security Documents and (ii) copies of all policies evidencing such insurance (or certificates therefor signed by the insurer or an agent authorized to bind the insurer).

SECTION 10.8. OPINION OF COUNSEL.
The Banks shall have received favorable opinions addressed to the Administrative Agent, for the benefit of the Banks, dated the Effective Date, in form and substance satisfactory to the Administrative Agent, as to (i) authorization, enforceability of Loan Documents and other corporate matters; (ii) Vermont security matters and (iii) such other matters as the Banks reasonably request relating to the transactions contemplated herein, in the other Loan Documents or in connection with the KTI Purchase.

SECTION 10.9. PAYMENT OF FEES.
The Borrowers shall have paid to the Administrative Agent for the accounts of the Banks or its own account, as applicable, all fees and expenses that are due and payable as of the Effective Date.

SECTION 10.10. PAYOFFS.
The Administrative Agent shall have received satisfactory evidence of the cancellation and payment in full of (a) the $150,000,000 senior credit facility of KTI dated as of July 13, 1998, (b) the $4,300,000 credit facility between U.S. Bank and K-C International, Inc., (c) the January 1998 Credit Agreement, and (d) all secured KTI letters of credit (other than the ING L/C) shall be cash collateralized on the Effective Date and shall be replaced by a Letter of Credit under this Agreement within thirty (30) days of the Effective Date, and any collateral formerly securing such letters of credit shall be returned to the Parent, to be pledged to the Administrative Agent for the benefit of the Banks.

SECTION 10.11. FINANCIAL STATEMENTS.

(a) The Banks shall have received the financial projections of the Borrowers, and KTI and its Subsidiaries (other than PERC and

Timber), in form and substance satisfactory to the Administrative Agent and the Arranger, for the period from the Effective Date to the Maturity Date.

(b) The Administrative Agent shall have received a satisfactory day one balance sheet and sources and uses of funds, showing the effects of the KTI Purchase, the financing required to effect the KTI Purchase, compliance with all terms and conditions of this Agreement, including the covenants in Section 9 hereof.

SECTION 10.12. EXISTING BANKS. All Domestic Revolving Credit Banks (other than USTrust) which were party to the January 1998 Credit Agreement shall be Domestic Revolving Credit Banks hereunder and shall maintain their prior revolving credit commitment levels hereunder.

SECTION 11. CONDITIONS OF ALL LOANS.
The obligations of the Banks to make any Loan, of any Issuing Bank to issue, extend or renew any Letter of Credit or of the Canadian Banks to incur any obligations with respect to Bankers' Acceptances on and subsequent to the Effective Date is subject to the following conditions precedent:

SECTION 11.1. REPRESENTATIONS TRUE; NO EVENT OF DEFAULT.
Each of the representations and warranties of the Borrowers contained in this Agreement or in any document or instrument delivered pursuant to or in connection with this Agreement shall be true as of the date as of which they were made and shall also be true at and as of the time of the making of the Loans, the acceptance and purchase of Bankers' Acceptances, and the issuance, extension or renewal of Letters of Credit with the same effect as if made at and as of that time (except to the extent of changes resulting from transactions contemplated or permitted by this Agreement and changes occurring in the ordinary course of business which singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties relate expressly to an earlier date) and no Default or Event of Default shall have occurred and be continuing.

SECTION 11.2 PERFORMANCE; NO EVENT OF DEFAULT.
The Borrowers shall have performed and complied with all terms and conditions herein required to be performed or complied with by them prior to or at the time of the making of any Loan, issuance, extension or renewal of any Letter of Credit or acceptance and purchase of any Bankers' Acceptance and at the time of the making of any Loan issuance, extension or renewal of any Letter of Credit or acceptance and purchase of any Bankers' Acceptance, there shall exist no Event of Default or condition which would result in an Event of Default upon consummation of such Loan, Letter of Credit or Bankers' Acceptance). Each request by the Borrowers for a Loan, Letter of Credit or

Bankers' Acceptance subsequent to the first Loan shall constitute certification by the Borrowers that the conditions specified in Sections 10.1 and 10.2 will be duly satisfied on the date of such Loan, Letter of Credit or Bankers' Acceptance issuance.

SECTION 11.3. NO LEGAL IMPEDIMENT.
No change shall have occurred in any law or regulations thereunder or interpretations thereof which in the reasonable opinion of the Banks would make it illegal for the Banks to make Loans or issue, extend or renew Letters of Credit or accept and purchase Bankers' Acceptance hereunder.

SECTION 11.4. GOVERNMENTAL REGULATION.
The Banks shall have received such statements in substance and form reasonably satisfactory to the Banks as they shall require for the purpose of compliance with any applicable regulations of the Comptroller of the Currency or the Board of Governors of the Federal Reserve System or the Office of the Superintendent of Financial Institutions.

SECTION 11.5. PROCEEDINGS AND DOCUMENTS.
All proceedings in connection with the transactions contemplated by this Agreement and all documents incident thereto shall have been delivered to the Administrative Agent as of the Effective Date in substance and in form satisfactory to the Banks, including without limitation a Letter of Credit and Loan Request, a Canadian Loan and Letter of Credit Request or a Bankers' Acceptance Notice in the forms attached hereto as EXHIBIT B-1, B-2 or B-3, and the Banks shall have received all information and such counterpart originals or certified or other copies of such documents as the Banks may reasonably request.

SECTION 11.6. SPECIAL CANADIAN CONDITIONS. All documents, information, or other matters which were to have been executed, delivered or occurred, as applicable (including, without limitation, the Canadian Pledge Agreement, the Canadian Security Agreement(s) and the delivery of opinions of Canadian counsel to the Canadian Borrowers acceptable to the Administrative Agent), as of the date of the requested Canadian Loan or Canadian Letter of Credit, shall have been executed, delivered or occurred, as applicable, to the satisfaction of the Administrative Agent.

SECTION 11.7. POST-CLOSING MATTERS. All documents, information, or other matters which were to have been executed, delivered or occurred, as applicable, pursuant to the Post-Closing Letter, as of the date of the requested Loan or Letter of Credit, shall have been executed, delivered or occurred, as applicable, to the satisfaction of the Administrative Agent.

SECTION 12. COLLATERAL SECURITY.
The Obligations or Canadian Obligations, as applicable, shall be secured by (a) a perfected first priority security interest (subject to purchase money liens or other Permitted Liens entitled to priority under applicable law) in all assets

(other than Real Property and motor vehicle titles) of each Domestic Borrower, whether now owned or hereafter acquired, pursuant to the terms of the Domestic Security and Pledge Agreement to which each Domestic Borrower is a party; (b) a perfected first priority security interest (subject to purchase money liens or other Permitted Liens entitled to priority under applicable law) in all assets (other than Real Property and motor vehicles) of each Canadian Borrower, whether now owned or hereafter acquired, pursuant to the terms of a Canadian Security Agreement to which each Canadian Borrower is a party; (c) in the case of the Domestic Borrowers, a pledge of 100% of the capital stock or other equity interests of such Domestic Borrowers (other than the Parent) to the Administrative Agent on behalf of the Banks pursuant to the Domestic Pledge Agreement to secure the Obligations; (d) in the case of the First Tier Canadian Borrowers, a pledge of 65% of the capital stock or other equity interests of such First Tier Canadian Borrowers to the Administrative Agent on behalf of the Domestic Banks pursuant to the Canadian Pledge Agreement to secure the Domestic Obligations, a pledge of 35% of the capital stock or other equity interests of such First Tier Canadian Borrowers to the Administrative Agent for the benefit of the Canadian Banks pursuant to the Canadian Pledge Agreement to secure the Canadian Obligations and a pledge of 65% of the capital stock or other equity interests of such Borrowers to the Administrative Agent for the benefit of the Canadian Banks pursuant to the Canadian Pledge Agreement in the form of a second-priority lien to secure the Canadian Obligations; and (e) in the case of the Second Tier Canadian Borrowers, a pledge of 100% of the capital stock or other equity interests of such Second Tier Canadian Borrowers to the Administrative Agent for the benefit of the Canadian Banks to secure the Canadian Obligations.

SECTION 13. EVENTS OF DEFAULT; ACCELERATION; TERMINATION OF COMMITMENT.

SECTION 13.1. EVENTS OF DEFAULT AND ACCELERATION. If any of the following events ("Events of Default" or, if the giving of notice or the lapse of time or both is required, then, prior to such notice and/or lapse of time, "Defaults") shall occur:

(a) if the Borrowers shall fail to pay any principal of the Loans when the same shall become due and payable, whether at the Revolving Credit Maturity Date, the Term Loan Maturity Date or any accelerated date of maturity or at any other date fixed for payment;

(b) if the Borrowers shall fail to pay any interest or fees or other amounts owing hereunder within five (5) Business Days after the same shall become due and payable whether at the Revolving Credit Maturity Date, the Term Loan Maturity Date or any accelerated date of maturity or at any other date fixed for payment;

(c) if the Borrowers shall fail to comply with the covenants contained in Sections 7 (other than Sections 7.6, 7.14 and 7.16), 8 or 9 hereof;

(d) if the Borrowers shall fail to perform any term, covenant or agreement contained herein or in any of the other Loan Documents (other than those specified in subsections (a), (b), and (c) above) within 30 days after written notice of such failure has been given to the Borrowers by the Banks;

(e) if any representation or warranty contained in this Agreement or in any document or instrument delivered pursuant to or in connection with this Agreement shall prove to have been false in any material respect upon the date when made or repeated;

(f) if any Borrower or Excluded Subsidiary shall fail to pay at maturity, or within any applicable period of grace, any and all obligations for borrowed money or any guaranty with respect thereto in an aggregate amount greater than $1,000,000, or fail to observe or perform any material term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing borrowed money in an aggregate amount greater than $1,000,000 for such period of time as would, or would have permitted (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof; or

(g) if any Borrower or Excluded Subsidiary makes an assignment for the benefit of creditors, or admits in writing its inability to pay

or generally fails to pay its debts as they mature or become due, or petitions or applies for the appointment of a trustee or other custodian, liquidator, receiver or receiver/manager of any Borrower or Excluded Subsidiary or of any substantial part of the assets of any Borrower or Excluded Subsidiary or commences any case or other proceeding relating to any Borrower or Excluded Subsidiary under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, now or hereafter in effect, or takes any action to authorize

or in furtherance of any of the foregoing, or if any such petition or application is filed or any such case or other proceeding is commenced against any Borrower or Excluded Subsidiary and any Borrower or Excluded Subsidiary indicates its approval thereof, consent thereto or acquiescence therein;

(h) a decree or order is entered appointing any such trustee, custodian, liquidator, receiver or receiver/manager or adjudicating any Borrower or Excluded Subsidiary bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief is entered in respect of any Borrower or Excluded Subsidiary in an involuntary case under federal bankruptcy laws as now or hereafter constituted, and such decree or order remains in effect for more than sixty (60) days, whether or not consecutive;

(i) if there shall remain in force, undischarged, unsatisfied and unstayed, for more than thirty (30) days, whether or not consecutive, any final judgment against any Borrower or Excluded Subsidiary which, with other outstanding final judgments, against the Borrowers and Excluded Subsidiaries exceeds in the aggregate $1,000,000 after taking into account any undisputed insurance coverage;

(j) any Borrower or Excluded Subsidiary or any ERISA Affiliate incurs any liability to the PBGC or similar Canadian authorities or a Guaranteed Pension Plan (or any corresponding plan described in any Applicable Canadian Pension Legislation) pursuant to Title IV of ERISA in an aggregate amount exceeding $1,000,000, or any Borrower or Excluded Subsidiary or any ERISA Affiliate is assessed withdrawal liability pursuant to Title IV of ERISA by a Multiemployer Plan requiring aggregate annual payments exceeding $1,000,000, or any of the following occurs with respect to a Guaranteed Pension Plan (or any corresponding plan described in any Applicable Canadian Pension Legislation): (i) an ERISA Reportable Event or similar event under Applicable Canadian Pension Legislation, or a failure to make a required installment or other payment (within the meaning of Section 302(f)(1) of ERISA), PROVIDeD THat the Administrative Agent determines in its reasonable discretion that such event (A) could be expected to result in liability of any Borrower or Excluded Subsidiary to the PBGC, similar Canadian authorities or such Plan in an aggregate amount exceeding $1,000,000 and (B) could constitute grounds for the termination of such Plan by the PBGC or similar Canadian authorities, for the appointment by the appropriate United States District Court or Canadian Court of a trustee to administer such Plan or for the imposition of a lien in favor of such Plan; or (ii) the appointment by a United States District Court or Canadian Court of a trustee to administer

such Plan; or (iii) the institution by the PBGC or similar Canadian authorities of proceedings to terminate such Plan;

(k) if a drawing in excess of $1,000,000 is made on the MERC L/C or the ING L/C;

(l) if any of the Loan Documents shall be cancelled, terminated, revoked or rescinded otherwise than in accordance with the terms thereof or with the express prior written agreement, consent or approval of the Banks, or any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of the Borrowers or any of their respective stockholders, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the

effect that, any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof;

(m) John Casella and James Bohlig shall cease to serve as senior management of the Parent and shall not be replaced by other Persons reasonably acceptable to the Banks within 90 days; or

(n) any Person or group of Persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 25% or more of the outstanding shares of common stock of the Parent; or, during any period of twelve consecutive calendar months, individuals who were directors of the Parent on the first day of such period shall cease to constitute a majority of the board of directors of the Parent;

then, and in any such event, so long as the same may be continuing, the Administrative Agent shall upon the request of the Required Banks, by notice in writing to the Borrowers, declare all amounts owing with respect to this Agreement, the Notes and the other Loan Documents and all Reimbursement Obligations to be, and they shall thereupon forthwith become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrowers; PROVIDED that in the event of any Event of Default specified in Section 13.1(g) or 13.1(h), all such amounts shall become immediately due and

payable automatically and without any requirement of notice from the Administrative Agent or any Bank. Upon demand by the Required Banks after the occurrence of any Event of Default, the Borrowers shall immediately provide to the Administrative Agent cash in an amount equal to the aggregate Maximum Drawing Amount of all Letters of Credit outstanding, to be held by the Administrative Agent as collateral security for the Obligations.

SECTION 13.2. TERMINATION OF COMMITMENTS.
If any Event of Default shall occur, any unused portion of the Total Commitment hereunder shall forthwith terminate and the Banks shall be relieved of all obligations to make Loans to, or issue Letters of Credit for the account of, or to accept and purchase Bankers' Acceptances for any of the Borrowers; or if on any Drawdown Date the conditions precedent to the making of the Loans to be made on such Drawdown Date or the issuance of any Letters of Credit to be issued on such date are not satisfied (except as a consequence of a default on the part of the Banks), the Banks may by notice to the Borrowers, terminate the unused portion of the Total Commitment hereunder, and upon such Notice being given, such unused portion of the Total Commitment hereunder shall terminate immediately and the Banks shall be relieved of all further obligations to make Loans to, or issue Letters of Credit for, or accept and purchase Bankers' Acceptances for, the account of the Borrowers hereunder. No termination of any portion of the Total Commitment hereunder shall relieve the Borrowers of any of their existing Obligations to the Banks hereunder or elsewhere.

SECTION 13.3. REMEDIES.
Subject to Section 15.8, in case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Loans pursuant to Section 13.1, each Bank with the consent of the Required Banks, if owed any amount with respect to the Loans, the Bankers' Acceptances or the Reimbursement Obligations, may proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations to such Bank are evidenced, including, without limitation, as permitted by applicable law, the obtaining of the EX PARTE appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any legal or equitable right of such Bank. No remedy herein conferred upon any Bank or the Bank Agents or the holder of any Note or purchaser of any Letter of Credit Participation is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or

now or hereafter existing at law or in equity or by statute or any other provision of law.

SECTION 14. SETOFF.

Regardless of the adequacy of any collateral, during the continuance of an Event of Default, any deposits or other sums credited by or due from any Bank or Bank Agent to the Borrowers and any securities or other property of the Borrowers in the possession of such Bank or Bank Agent may be applied to or set off against the payment of the Obligations or, to the fullest extent permitted by law, the Canadian Obligations, and any and all other liabilities, direct, or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of the Borrowers to the Banks. Each of the Banks agrees with each other Bank that (a) if an amount to be set off is to be applied to Indebtedness of the Borrowers to such Bank, other than Indebtedness evidenced by the Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness evidenced by all such Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, and (b) if such Bank shall receive from the Borrowers any amount, whether by voluntary payment, exercise of the right of setoff, counterclaim, cross action, enforcement of the claim evidenced by the Notes held by, or constituting Reimbursement Obligations owed to, such Bank by proceedings against the Borrowers at law or in equity or by proof thereof in bankruptcy, reorganization, liquidation, receivership or similar proceedings, or otherwise, and shall retain and apply to the payment of the Note or Notes held by, or Reimbursement Obligations owed to, such Bank any amount in excess of its ratable portion of the payments received by all of the Banks with respect to the Notes held by, and Reimbursement Obligations owed to, all of the Banks, such Bank will make such disposition and arrangements with the other Banks with respect to such excess, either by way of distribution, PRO TANTO assignment of claims, subrogation or otherwise as shall result in each Bank receiving in respect of the Notes held by it or Reimbursement Obligations owed it, such Bank's proportionate payment as contemplated by this Agreement; PROVIDED that if all or any part of such excess payment is thereafter recovered from such Bank, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

SECTION 15. THE BANK AGENTS.

SECTION 15.1 APPOINTMENT, POWERS AND IMMUNITIES.

Each Bank hereby irrevocably appoints and authorizes (a) BankBoston to act as the Administrative Agent hereunder, and (b) CIBC Canada to act as Canadian Agent hereunder, and under the other Loan Documents. The Bank

Agents hereby acknowledge that they do not have the authority to negotiate any agreement which would bind the Banks or agree to any amendment, waiver or modification of any of the Loan Documents or bind the Banks except as set forth in this Agreement or the Loan Documents. Except as provided in this Section 15 and in the other Loan Documents, the Bank Agents shall take action or refrain from acting only upon instructions of the Banks and no action taken or failure to act without the consent of the Banks shall be binding on any Bank which has not consented. Each Bank irrevocably authorizes the Bank Agents to execute the Security Documents and all other instruments relating thereto and to take such action on behalf of each of the Banks and to exercise all such powers as are expressly delegated to the Bank Agents hereunder and in the Security Documents and all related documents, together with such other powers as are reasonably incidental thereto. It is agreed that the duties, rights, privileges and immunities of any Issuing Bank, in its capacity as issuer of Letters of Credit hereunder, shall be identical to its duties, rights, privileges and immunities as Bank as provided in this Section 15. The Bank Agents shall not have any duties or responsibilities or any fiduciary relationship with any Bank except those expressly set forth in this Agreement. Neither the Bank Agents nor any of their affiliates shall be responsible to the Banks for any recitals, statements, representations or warranties made by the Borrowers or any other Person whether contained herein or otherwise or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, the other Loan Documents or any other document referred to or provided for herein or therein or for any failure by the Borrowers or any other Person to perform its obligations hereunder or thereunder or in respect of the Notes. The Bank Agents may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither the Bank Agents nor any of its directors, officers, employees or agents shall be responsible for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct. The Bank Agents in their separate capacities as Banks shall have the same rights and powers

hereunder as any other Bank.

SECTION 15.2. ACTIONS BY BANK AGENTS.
Each Bank Agent shall be fully justified in failing or refusing to take any action under this Agreement as it reasonably deems appropriate unless it shall first have received such advice or concurrence of the Banks and shall be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Each Bank Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any of the Loan Documents in accordance with a request of the Banks, and

such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks and all future holders of the Notes or any Letter of Credit Participation.

SECTION 15.3. INDEMNIFICATION.
Without limiting the obligations of the Borrowers hereunder or under any other Loan Document, the Banks agree to indemnify each Bank Agent and its affiliates, agents, directors, officers and shareholders, and ratably in accordance with their respective Domestic Commitment Percentages and Canadian Commitment Percentages, as applicable, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements or any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against such Bank Agent in any way relating to or arising out of this Agreement or any other Loan Document or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or the enforcement of any of the terms hereof or thereof or of any such other documents; PROVIDED, THAT no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Bank Agents (or any agent thereof).

SECTION 15.4. REIMBURSEMENT.
Without limiting the provisions of Section 15.3, the Banks and each Bank Agent hereby agree that such Bank Agent shall not be obliged to make available to any Person any sum which such Bank Agent is expecting to receive for the account of that Person until such Bank Agent has determined that it has received that sum. Each Bank Agent may, however, disburse funds prior to determining that the sums which such Bank Agent expects to receive have been finally and unconditionally paid to such Bank Agent, if such Bank Agent wishes to do so. If and to the extent that such Bank Agent does disburse funds and it later becomes apparent that such Bank Agent did not then receive a payment in an amount equal to the sum paid out, then any Person to whom such Bank Agent made the funds available shall, on demand from such Bank Agent, refund to such Bank Agent the sum paid to that Person. If, in the opinion of such Bank Agent, the distribution of any amount received by it in such capacity hereunder or under the Loan Documents might involve it in liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received and distributed by such Bank Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to such Bank Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

SECTION 15.5. DOCUMENTS.
The Bank Agents will forward to each Bank, promptly after such Bank Agent's receipt thereof, a copy of each notice or other document furnished to such Bank Agent for such Bank hereunder; PROVIDED, HOWEVER, that, notwithstanding the foregoing, each Bank Agent may furnish to the Banks a monthly summary with respect to Letters of Credit issued hereunder in lieu of copies of the related Letter of Credit Applications.

SECTION 15.6. NON-RELIANCE ON AGENTS AND OTHER BANKS.
Each Bank represents that it has, independently and without reliance on the Bank Agents or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of the financial condition and affairs of the Borrowers and decision to enter into this Agreement and the other Loan Documents and agrees that it will, independently and without reliance upon either Bank Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action under

this Agreement or any other Loan Document. The Bank Agents shall not be required to keep informed as to the performance or observance by the Borrowers of this Agreement, the other Loan Documents or any other document referred to or provided for herein or therein or by any other Person of any other agreement or to make inquiry of, or to inspect the properties or books of, any Person. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Bank Agents hereunder, the Bank Agents shall not have any duty or responsibility to provide any Bank with any credit or other information concerning any Person which may come into the possession of such Bank Agent or any of its affiliates. Each Bank shall have access to all documents relating to each Bank Agent's performance of its duties hereunder at such Bank's request. Unless any Bank shall promptly object to any action taken by the Bank Agents hereunder (other than actions to which the provisions of Section 15.8 are applicable and other than actions which constitute gross negligence or willful misconduct by such Bank Agent), such Bank shall conclusively be presumed to have approved the same.

SECTION 15.7. RESIGNATION OF AGENTS.
Each Bank Agent may resign at any time by giving 60 days prior written notice thereof to the Banks and the Borrowers. Upon any such resignation, the Banks shall have the right to appoint a successor Bank Agent. If no successor Bank Agent shall have been so appointed by the Banks and shall have accepted such appointment within 30 days after the retiring Bank Agent's giving of notice of resignation, then the retiring Bank Agent may, on behalf of the Banks, appoint a successor Bank Agent, which shall be a

financial institution having a combined capital and surplus in excess of $150,000,000. Upon the acceptance of any appointment as Bank Agent hereunder by a successor Bank Agent, such successor Bank Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Bank Agent, and the retiring Bank Agent shall be discharged from its duties and obligations hereunder. After any retiring Bank Agent's resignation, the provisions of this Agreement shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Bank Agent. Any new Bank Agent appointed pursuant to this Section 15.7 shall immediately issue new Letters of Credit in place of Letters of Credit previously issued by the prior Bank Agent.

SECTION 15.8. ACTION BY THE BANKS, CONSENTS, AMENDMENTS, WAIVERS, ETC.
Except as otherwise expressly provided in this Section 15.8, any action to be taken (including the giving of notice) may be taken or any consent or approval required or permitted by the Agreement or any other Loan Document to be given by the Banks may be given, and any term of this Agreement, any other Loan Document or any other instrument, document or agreement related to this Agreement or the other Loan Documents or mentioned therein may be amended and the performance or observance by the Borrowers or any other Person of any of the terms thereof and any Default or Event of Default (as defined in any of the above-referenced documents or instruments) may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Required Banks; PROVIDED, however, that no such consent or amendment which affects the rights, duties or liabilities of a Bank Agent shall be effective without the written consent of such Bank Agent. Notwithstanding the foregoing, no amendment, waiver or consent shall, do any of the following unless in writing and signed by ALL of the Banks (a) increase the principal amount of the Total Commitment (or subject the Banks to any additional obligations), (b) reduce the principal of or interest on the Notes (including, without limitation, interest on overdue amounts) or any fees payable hereunder, (c) postpone any date fixed for any payment in respect of principal or interest (including, without limitation, interest on overdue amounts) on the Notes, or any fees payable hereunder; (d) change the definition of "Required Banks" or percentage of Banks which shall be required for the Banks or any of them to take any action under the Loan Documents; (e) amend Section 2.4, Section 28 or this Section 15.8; (f) change the Loan Percentage of any Bank, except (i) as permitted under Section 2.2.2 or Section 19 hereof, or (ii) with the consent of such affected Bank; or (g) except as otherwise permitted hereunder, release any Collateral.

SECTION 15.9. DOCUMENTATION AGENT AND SYNDICATION AGENT.
None of the Banks identified on the cover page of this Agreement as either a

"Documentation Agent" or a "Syndication Agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Banks as such. Without limiting the foregoing, none of the Banks so identified as either a "Documentation Agent" or a "Syndication Agent" shall have or be deemed to have any fiduciary relationship with any Bank. Each Bank acknowledges that it has not relied, and will not rely, on any of the Banks so identified in deciding to enter into this Agreement or not taking action hereunder.

SECTION 16. EXPENSES.

Whether or not the transactions contemplated herein shall be consummated, the Borrowers hereby promise to (a) reimburse Bank Agents as well as the Bank Agents' affiliates for all reasonable out-of-pocket fees and disbursements (including all reasonable attorneys' fees, collateral evaluation costs and Consulting Engineer's fees), incurred or expended in connection with the preparation, filing or recording, or interpretation of this Agreement, the other Loan Documents, or any amendment, modification, approval, consent or waiver hereof or thereof, or with the enforcement of any Obligations or the satisfaction of any indebtedness of the Borrowers hereunder or thereunder, or in connection with any litigation, proceeding or dispute hereunder in any way related to the credit hereunder and (b) reimburse all reasonable out-of-pocket fees and disbursements (including all reasonable attorneys' fees) incurred by any Bank in connection with the enforcement of or preservation of rights under any of the Loan Documents against the Borrowers or the administration, work-out or restructuring thereof after the occurrence of a Default or Event of Default and (ii) any litigation, proceeding or dispute hereunder in any way related to the credit hereunder. The Borrowers will pay any taxes (including any interest and penalties in respect thereof) other than the Banks' federal and state or provincial income taxes, payable on or with respect to the transactions contemplated by this Agreement (the Borrowers hereby agreeing to indemnify the Banks with respect thereto).

SECTION 17. INDEMNIFICATION.

The Borrowers jointly and severally (to the fullest extent permitted by law) agree to indemnify and hold harmless the Bank Agents and the Banks, as well as each Bank Agent's and the Banks' shareholders, directors, agents, officers, subsidiaries and affiliates, from and against all damages, losses, settlement payments, obligations, liabilities, claims, suits, penalties, assessments, citations, directives, demands, judgments, actions or causes of action, whether statutory created or under the common law, and reasonable costs and expenses incurred, suffered, sustained or required to be paid by an indemnified party by reason of or resulting from the transactions contemplated hereby, except any of the foregoing which result from the gross

negligence or willful misconduct of the indemnified party. In any investigation, proceeding or litigation, or the preparation therefor, each Bank shall be entitled to select its own counsel and, in addition to the foregoing indemnity, the Borrowers agree to pay promptly the reasonable fees and expenses of such counsel. In the event of the commencement of any such proceeding or litigation, the Borrowers shall be entitled to participate in such proceeding or litigation with counsel of their choice at their expense, PROVIDED that such counsel shall be reasonably satisfactory to the Banks. The covenants of this Section 17 shall survive payment or satisfaction in full of the Obligations.

SECTION 18. SURVIVAL OF COVENANTS, ETC

Unless otherwise stated herein, all covenants, agreements, representations and warranties made herein, in the other Loan Documents or in any documents or other papers delivered by or on behalf of the Borrowers pursuant hereto shall be deemed to have been relied upon by the Banks, the Issuing Bank and the Bank Agents, notwithstanding any investigation heretofore or hereafter made by any of them, and shall survive the making by the Banks of the Loans, the acceptance and purchase of Bankers' Acceptances, and the issuance, extension or renewal of any Letters of Credit, as herein contemplated, and shall continue in full force and effect so long as any amount due under this Agreement, any Letter of Credit, any Bankers' Acceptance or the Notes remains outstanding and unpaid or any Bank has any obligation to make any Loans or issue any Letters of Credit hereunder or any Canadian Bank has any obligation to accept and purchase Bankers' Acceptances hereunder. All statements contained in any certificate or other paper delivered by or on behalf of the Borrowers pursuant hereto or in connection with the transactions contemplated hereby shall constitute representations and warranties by the Borrowers hereunder.

SECTION 19. SYNDICATION AND PARTICIPATION.

It is understood and agreed that each Bank shall have the right to assign at any time its portion of the Total Commitment and interests in the risk relating to any Loans, outstanding Letters of Credit, and Bankers' Acceptances in an amount equal to or greater than $2,500,000, to additional banks, other financial institutions or other entities whose business is to purchase and sell loan assets in the normal course acceptable to the Administrative Agent or the Canadian Agent and, so long as no Event of Default has occurred and is continuing, the Parent (unless an assignment is to a Bank or to an affiliate of a Bank (so long as such assignment would not result in increased costs to the Borrowers hereunder), in which case acceptance by such Bank Agent and the Parent shall not be necessary), which acceptance shall not be unreasonably withheld, PROVIDED that a Bank may assign all or a portion of its Canadian Commitment Percentage and

Canadian Loans outstanding, Canadian Letters of Credit and Bankers' Acceptances, only to an Eligible Canadian Assignee, and that each bank or other financial institution which executes and delivers to the Banks and the Borrowers hereunder a counterpart joinder in form and substance satisfactory to the Banks and such bank or financial institution shall, on the date specified in such counterpart joinder, become a party to this Agreement and the other Loan Documents for all purposes of this Agreement and the other Loan Documents, and its Commitment or portion of the Term Loan shall be as set forth in such counterpart joinder. Upon the execution and delivery of such counterpart joinder, (a) the Borrowers shall issue to the bank or other financial institution applicable Notes in the amount of such bank's or other financial institution's Domestic Commitment, portion of the Term Loan or Canadian Commitment, as applicable, dated the Effective Date or such other date as may be specified by the appropriate Bank Agent and otherwise completed in substantially the form of the Notes executed and delivered on the Effective Date; (b) the appropriate Bank Agent shall distribute to the Borrowers, the Banks and such bank or financial institution a schedule reflecting such changes; (c) this Agreement shall be appropriately amended to reflect (i) the status of such bank or financial institution as a party hereto and (ii) the status and rights of the Banks and Bank Agents hereunder; and (d) the assignee bank or financial institution shall pay a processing and recordation fee of $3,500 to the Administrative Agent. Each Bank shall also have the right to grant participations to one or more banks, other financial institutions or other entities whose business is to purchase and sell loan assets in the normal course in or to all or any part of any Loans owing to such Bank and the Note held by such Bank PROVIDED that (i) any such sale or participation shall not affect the rights and duties of the selling Bank hereunder to the Borrowers and (ii) the only rights granted to the participant pursuant to such participation arrangements with respect to waivers, amendments or modifications of the Loan Documents shall be the rights to approve waivers, amendments or modifications that would require consent by ALL Banks under Section 15.8, and any participant shall be entitled to the benefits of Sections 5.5, 5.6, 5.9, 5.14 and 17 as if it were a Bank hereunder, PROVIDED, however that no Borrower shall be required to pay any amount which is greater than such amount that otherwise would have been payable to the Bank which sold such participation. Notwithstanding the foregoing, no syndication or assignment shall operate to increase the Total Commitment or Term Loan hereunder or reduce the Domestic Commitment or portion of the Term Loan of any Bank to an amount less than $2,500,000 or otherwise alter the substantive terms of this Agreement. Anything contained in this Section 19 to the contrary notwithstanding, any Bank may at any time pledge all or any portion of its interest and rights under this Agreement (including all or any portion of its Notes) to any of the twelve Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or the

enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents.

Section 20. PARTIES IN INTEREST.

All the terms of this Agreement and the other Loan Documents shall be binding upon and inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto and thereto; PROVIDED, that no Borrower shall assign or transfer its rights hereunder without the prior written consent of the Banks.

Section 21. NOTICES, ETC.

Except as otherwise expressly provided in this Agreement, all notices and other

communications made or required to be given pursuant to this Agreement or the other Loan Documents shall be in writing and shall be delivered in hand, mailed by United States or Canadian first-class mail, as applicable, postage prepaid, or sent by telegraph, telex or telecopier and confirmed by letter, addressed as follows:

(a) if to the Borrowers, at 25 Greens Hill Lane, P.O. Box 866, Rutland, Vermont 05701, Attention: President, telecopy number 802-775-6198;

(b) if to the Administrative Agent or BankBoston, at 100 Federal Street, Boston, Massachusetts 02110, USA, Attention: Arthur J. Oberheim, Director, telecopy number 617-434-2160;

(c) if to the Canadian Agent or CIBC Canada, at BCE Place, 161 Bay Street, Toronto, Ontario M5J 2S8;

or such other address for notice as shall have last been furnished in writing to the Person giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (a) if delivered by hand to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer, (b) if sent by registered or certified first-class mail, postage prepaid, five Business Days after the posting thereof, and (c) if sent by telex or cable, at the time of the dispatch thereof, if in normal business hours in the country of receipt, or otherwise at the opening of business on the following Business Day.

Section 22. MISCELLANEOUS.
The rights and remedies herein expressed are cumulative and not exclusive of any other rights which the Banks, the Issuing Banks or Bank Agents

would otherwise have. The captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof. This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

Section 23. ENTIRE AGREEMENT, ETC.
The Loan Documents and any other documents executed in connection herewith or therewith express the entire understanding of the parties with respect to the transactions contemplated hereby. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in Section 15.8. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. No course of dealing or omission on the part of the Bank Agents or any Bank in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. No notice to or demand upon the Borrowers shall entitle the Borrowers to other or further notice or demand in similar or other circumstances.

Section 24. WAIVER OF JURY TRIAL.
EACH OF THE BORROWERS HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR ANY OF THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. EXCEPT AS PROHIBITED BY LAW, EACH BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN THE PRECEDING SENTENCE ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. THE BORROWERS (a) CERTIFY THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY BANK, ISSUING BANK OR ANY BANK AGENT HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH BANK, ISSUING BANK, OR BANK AGENT WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS AND (b) ACKNOWLEDGE THAT THE BANK AGENTS AND THE BANKS HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY BECAUSE OF, AMONG OTHER THINGS, THE BORROWERS'

WAIVERS AND CERTIFICATIONS CONTAINED HEREIN.

Section 25. GOVERNING LAW. THIS CREDIT AGREEMENT AND, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED THEREIN, EACH OF THE OTHER LOAN DOCUMENTS ARE CONTRACTS UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL, PURSUANT TO NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1401, BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK. THE BORROWERS CONSENT AND AGREE THAT ANY SUIT FOR THE ENFORCEMENT OF THIS CREDIT AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWERS IN ACCORDANCE WITH LAW AT THE ADDRESS SPECIFIED IN Section 21. THE BORROWERS HEREBY WAIVE ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

Section 26. SEVERABILITY.
The provisions of this Agreement are severable and if any one clause or provisioN hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

Section 27. [INTENTIONALLY OMITTED].

Section 28. PARI PASSU TREATMENT.

(a) Notwithstanding anything to the contrary set forth herein, each payment or prepayment of principal and interest received after the occurrence of an Event of Default hereunder shall be distributed pari passu among the Banks, in accordance with the aggregate outstanding principal amount of the Obligations owing to each Bank divided by the aggregate outstanding principal amount of all Obligations.

(b) Following the occurrence and during the continuance of any Event of Default, each Bank agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against any Borrower (pursuant to Section 13.3 or otherwise), including a secured claim under Section 506 of the

Bankruptcy Code or other security or interest arising from or in lieu of, such secured claim, received by such Bank under any applicable bankruptcy, insolvency or other similar law or otherwise, obtain payment (voluntary or involuntary) in respect of the Notes, Loans, and other Obligations held by it as a result of which the unpaid principal portion of the Notes, Loans and the Obligations held by it shall be proportionately less than the unpaid principal portion of the Notes, Loans and Obligations held by any other Bank, it shall be deemed to have simultaneously purchased from such other Bank a participation in the Notes, Loans and Obligations held by such other Bank, so that the aggregate unpaid principal amount of the Notes, Loans, Obligations and participations in Notes, Loans and Obligations held by each Bank shall be in the same proportion to the aggregate unpaid principal amount of the Notes, Loans and Obligations then outstanding as the principal amount of the Notes, Loans and other Obligations held by it prior to such exercise of banker's lien, setoff or counterclaim was to the principal amount of all Notes, Loans and other Obligations outstanding prior to such exercise of banker's lien, setoff or counterclaim; PROVIDED, however, that if any such purchase or purchases or adjustments shall be made pursuant to this Section 28 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustments restored without interest.

(c) Each Borrower expressly consents to the foregoing arrangements and agrees that any Person holding such a participation in the Notes, Loans and the Obligations deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by such Borrower to such Person as fully as if such Person had made a Loan directly to such Borrower in the amount of such participation.

(d) Nothing contained in this Section 28 shall impair, as between the Borrowers and any Bank, thE obligation of the applicable Borrowers to pay such Bank all amounts payable in respect of such Bank's Notes, Loans, and other Obligations as and when the same shall become due and payable in accordance with the terms thereof.

IN WITNESS WHEREOF, the undersigned have duly executed this Amended and Restated Revolving Credit and Term Loan Agreement as of the date first set forth above.

BANKBOSTON, N.A.,
individually and as Administrative Agent

By:
Name:
Title:

KEYBANK NATIONAL ASSOCIATION,
individually and as Documentation Agent

By:
Name:
Title:

BANK OF AMERICA, N.A.,
individually and as Syndication Agent

By:
Name:
Title:

COMERICA BANK

By:
Name:
Title:

CIBC INC.

By:
Name:
Title:

LASALLE BANK NATIONAL
ASSOCIATION

By:
Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By:
Name:
Title:

FIRST VERMONT BANK AND TRUST
COMPANY

By:
Name:
Title:

CANADIAN IMPERIAL BANK OF
COMMERCE, individually and as
Canadian Agent

By:
Name:
Title:

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

DOMESTIC BORROWERS:

ALL CYCLE WASTE, INC.
BRISTOL WASTE MANAGEMENT, INC.
CASELLA T.I.R.E.S., INC.
CASELLA TRANSPORTATION, INC.
CASELLA WASTE MANAGEMENT, INC.
CASELLA WASTE MANAGEMENT OF N.Y., INC.
CASELLA WASTE MANAGEMENT OF PENNSYLVANIA, INC.
CASELLA WASTE SYSTEMS, INC.
GRASSLANDS INC.
HAKES C & D DISPOSAL, INC.
HIRAM HOLLOW REGENERATION CORP.
NATURAL ENVIRONMENTAL, INC.
NEWBURY WASTE MANAGEMENT, INC.
NEW ENGLAND WASTE SERVICES, INC.
NEW ENGLAND WASTE SERVICES OF MASSACHUSETTS, INC.
NEW ENGLAND WASTE SERVICES OF N.Y., INC.
NEW ENGLAND WASTE SERVICES OF VERMONT, INC.
NORTH COUNTRY ENVIRONMENTAL SERVICES, INC.
NORTHERN SANITATION, INC.
PINE TREE WASTE, INC.
RESOURCE RECOVERY OF CAPE COD, INC.
RESOURCE TRANSFER SERVICES, INC.
RESOURCE WASTE SYSTEMS, INC.
SAWYER ENVIRONMENTAL RECOVERY FACILITIES, INC.
SAWYER ENVIRONMENTAL SERVICES
SCHULTZ LANDFILL, INC.
SUNDERLAND WASTE MANAGEMENT, INC.
WASTE-STREAM INC.
WESTFIELD DISPOSAL SERVICE, INC.
WINTERS BROTHERS, INC.

By:
Name: Jerry S. Cifor
Title: Treasurer

[SIGNATURES CONTINUED ON NEXT PAGE]

ADVANCED ENTERPRISES RECYCLING, INC.
AFA GROUP, INC.
AFA PALLET, INC.
AGRO PRODUCTS, INC.
ALLIED EQUIPMENT SALES CORP., INC.
AMERICAN SUPPLIES SALES GROUP, INC.
ARTIC, INC.
ATLANTIC TRANSPORTATION TECHNOLOGIES, INC.
DATA DESTRUCTION SERVICES, INC.
FAIRFIELD COUNTY RECYCLING, INC.
FCR CAMDEN, INC.
FCR FLORIDA, INC.
FCR GEORGIA, INC.
FCR GREENSBORO, INC.
FCR GREENVILLE, INC.
FCR MORRIS, INC.
FCR PLASTICS, INC.
FCR REDEMPTION, INC.
FCR TENNESSEE, INC.
FCR VIRGINIA, INC.
FCR, INC.
KTI BIOFUELS, INC.
KTI ENERGY OF MARTINSVILLE, INC.
KTI ENERGY OF VIRGINIA, INC.
KTI ENVIRONMENTAL GROUP, INC.
KTI NEW JERSEY FIBERS, INC.
KTI OPERATIONS, INC.
KTI RECYCLING OF ILLINOIS, INC.
KTI RECYCLING OF NEW ENGLAND, INC.
KTI RECYCLING OF NEW JERSEY, INC.
KTI RECYCLING, INC.
KTI SPECIALTY WASTE SERVICES, INC.
KTI TRANSPORTATION SERVICES, INC.

KTI, INC.
MANNER RESINS, INC.
MECHLENBURG COUNTY RECYCLING, INC.
POWER SHIP TRANSPORT, INC.
TOTAL WASTE MANAGEMENT CORPORATION
U.S. FIBERS, INC.

By:
Name: Jerry S. Cifor
Title: Treasurer

[SIGNATURES CONTINUED ON NEXT PAGE]

PENOBSCOT ENERGY RECOVERY COMPANY, LIMITED PARTNERSHIP

By: _____, general partner

By:
Name: Jerry S. Cifor
Title: Treasurer

PERC MANAGEMENT COMPANY, LIMITED PARTNERSHIP

By: _____, general partner

By:
Name: Jerry S. Cifor
Title: Treasurer

[SIGNATURES CONTINUED ON NEXT PAGE]

K-C INTERNATIONAL, LTD.

By: _____, general partner

By:
Name: Jerry S. Cifor
Title: Treasurer

CANADIAN BORROWERS:

KTI RECYCLING OF CANADA, INC.
1316991 ONTARIO, INC.

By:
Name: Jerry S. Cifor
Title: Treasurer

Exhibit 99(d)(1)

==========

KTI, INC.
Issuer
8 3/4 % CONVERTIBLE SUBORDINATED NOTES DUE 2004

INDENTURE

Dated as of July 31, 1998

SUNTRUST BANK, CENTRAL FLORIDA, NATIONAL ASSOCIATION
Trustee

==========

CROSS-REFERENCE TABLE*

Trust Indenture Act Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.10
(b)	7.10
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.5
(b)	11.3
(c)	11.3
313(a)	7.6
(b)(1)	10.3
(b)(2)	7.7
(c)	7.6; 11.2
(d)	7.6
314(a)	4.3; 11.2
(b)	10.2
(c)(1)	11.4
(c)(2)	11.4
(c)(3)	N.A.
(d)	10.3, 10.4, 10.5
(e)	11.5
(f)	N.A.
315(a)	7.1
(b)	7.5; 11.2

(c)	7.1
(d)	7.1
(e)	6.11
316(a)(last sentence)	2.9
(a)(1)(A)	6.5
(a)(1)(B)	6.4
(a)(2)	N.A.
(b)	6.7
(c)	2.12
317(a)(1)	6.8
(a)(2)	6.9
(b)	2.4
318(a)	11.1
(b)	N.A.
(c)	11.1

N.A. means not applicable.

*This Cross-Reference Table is not part of the Indenture.

TABLE OF CONTENTS

1. This should be included only if the Debenture is issued in global form.

This Indenture, dated as of July 31, 1998 is between KTI, Inc., a New Jersey corporation (the "Company"), and SunTrust Bank, Central Florida, National Association, as Trustee (the "Trustee").

The Company and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the 8 3/4% Convertible Subordinated Notes duE August 25, 2004 (the "Notes").

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.1. DEFINITIONS.

"Affiliate" of any specified Person means an "affiliate" of such Person, as such term is defined for purposes of Rule 144 under the Securities Act.

"Agent" means any Registrar, Paying Agent or co-registrar.

"Applicable Procedures" means, with respect to any transfer or exchange of beneficial interests in a Global Note, the rules and procedures of the Depository that apply to such transfer and exchange.

"Bankruptcy Law" means Title 11, United States Code, or any similar federal or state law for the relief of debtors.

"Board of Directors" means the Board of Directors of the Company, or any authorized committee of the Board of Directors.

"Business Day" means any day other than a Legal Holiday.

"Capital Stock" means (a) in the case of a corporation, corporate stock, (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (c) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited) and (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Change of Control" means the occurrence of any of the following: (a) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one transaction or a series of related

transactions, of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, (b) the adoption of a plan relating to the liquidation or dissolution of the Company, (c) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" or "group" (as such terms are used in Section 13(d)(3) of the Exchange Act), other than a group including any one of Nicholas Mennona Jr., Martin Sergi or Ross Pirasteh, becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, of more than 50% of the voting

power of the outstanding voting stock of the Company, unless the Closing Price per share of Common Stock for any five Trading Days within the period of ten consecutive Trading Days ending immediately after the announcement of such Change of Control equals or exceeds 105% of the Conversion Price in effect on each such Trading Day, or (d) the first day on which more than a majority of the Board of Directors are not Continuing Directors; provided, however, that a transaction in which the Company becomes a subsidiary of another entity shall not constitute a Change of Control if (i) the shareholders of the Company immediately prior to such transaction "beneficially own" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, at least a majority of the voting power of the outstanding voting stock of the Company immediately following the consummation of such transaction and (ii) immediately following the consummation of such transaction, no "person" or "group" (as such terms are defined above), other than such other entity (but including holders of equity interests of such other entity), "beneficially owns" (as such term is defined above), directly or indirectly through one or more intermediaries, more than 50% of the voting power of the outstanding voting stock of the Company.

"Closing Price" means, for each Trading Day, the last reported sale price regular way on the principal exchange, including the NASDAQ National Market, on which the applicable security is listed or quoted or, if the applicable security is not so listed or quoted, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Company for that purpose. In the event that the Closing Price cannot be determined as aforesaid, the Board of Directors of the Company shall determine the Closing Price on the basis of such quotations as it in good faith considers appropriate.

"Common Stock" means the common stock, no par value, of the Company, and any other capital stock of the Company into which such common stock may be converted or reclassified or that may be issued in respect of, in exchange for, or in substitution for such common stock by reason of any stock splits, stock dividends, distributions, mergers, consolidations or other like events.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors of the Company who (a) was a member of the Board of Directors on the date of original issuance of the Preferred Stock or (b) was nominated for election to the Board of Directors with the approval of, or whose election to the Board of Directors was ratified by, at least two-thirds of the Continuing Directors who were members of the Board of Directors at the time of such nomination or election.

"Conversion Price" means the conversion price of the Notes as set forth in Section 11.4 hereof.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 12.2 hereof or such other address as to which the Trustee may give notice to the Company.

"Credit Facility" means that certain line of credit pursuant to a Loan and Security Agreement dated as of October 29, 1996, as amended from time to time by and between the

Company, its Subsidiaries and KeyBank, National Association, including any related notes, guarantees, collateral documents, instruments and agreement

executed in connection therewith, in each case as amended, restated, modified, supplemented, extended, renewed, replaced, refinanced or restructured from time to time, whether by the same or any other agent or agents, lender or group of lenders, whether represented by one or more agreements and whether one or more Subsidiaries are added or removed as borrowers or guarantors thereunder or as parties thereto.

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

"Definitive Notes" means Notes that are in the form of Exhibit A attached hereto (but without including the text referred to in footnotes 1 and 2 thereto).

"Depository" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.3 hereof as the Depository with respect to the Notes until a successor shall have been appointed and become such pursuant to the applicable provision of this Indenture, and, thereafter, "Depository" shall mean or include such successor.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means the amount that a willing buyer would pay a willing seller in an arm's-length transaction.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the date of this Indenture.

"Global Note" means a permanent global debenture that contains the paragraph referred to in footnote 1 and the additional schedule referred to in footnote 2 to the form of the Note attached hereto as Exhibit A, and that is deposited with the Note Custodian and registered in the name of the Depository.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States is pledged.

"Holder" means a Person in whose name a Note is registered.

"Indebtedness" means any indebtedness, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or banker's acceptances or representing capital lease obligations or the balance deferred and unpaid of the purchase price of any property or representing any hedging obligations, except any such balance that constitutes an accrued expense or trade payable if and to the extent any of the foregoing indebtedness (other than letters

of credit and hedging obligations) would appear as a liability upon a balance sheet prepared in accordance with GAAP.

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Indirect Participant" means a Person who holds an interest through a Participant.

"Institutional Accredited Investor" means an "accredited investor" as defined in Rule 501(a)(1), (2) (3) or (7) under the Securities Act.

"Junior Securities" means all classes of Common Stock of the Company and each other class of capital stock or series of preferred stock established after July 1, 1997 by the Board of Directors the terms of which do not expressly provide that it ranks senior to or on a parity with the Preferred Stock as to dividend distributions and distributions upon the liquidation, winding-up and dissolution of the Company.

"Legal Holiday" means a Saturday, a Sunday or any day on which banking institutions in the City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no additional interest shall be payable on such day for the intervening period.

"Lien" means any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease intended as security, any option or other agreement to sell or give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction other than a financing statement covering leased goods under lease not intended as security).

"Note Custodian" means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Offering" means the offering of the Preferred Stock by the Company.

"Officer" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Vice-President of such Person.

"Officers' Certificate" means a certificate signed on behalf of the Company by two Officers of the Company, one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Company, that meets the requirements of Section 12.5 hereof.

"Opinion of Counsel" means an opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel at the Company's sole election may be an employee of or counsel to the Company, any Subsidiary of the Company or the Trustee.

"Participant" means with respect to the Depository, a Person who has an account with the Depository.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or agency or political subdivision thereof (including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business).

"Preferred Stock" means the 8 3/4% Series B Convertible Exchangeable Preferred Stock, which shall be exchanged by the Company for the Notes.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of August 7, 1997, by and between the Company and Credit Research & Trading LLC, as such agreement may be amended, modified or supplemented from time to time.

"Responsible Officer," when used with respect to the Trustee, means any officer within the Corporate Trust Department of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restated Certificate of Incorporation" means the amendment to the restated certificate of incorporation duly filed with the Secretary of State of the State of New Jersey on August 8, 1997 with respect to the Preferred Stock.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Debt" means (a) all obligations of the Company under the Credit Facility, as it may be amended, modified, restated, supplemented, deferred, extended, renewed, replaced, refunded or refinanced from time to time, and (b) any other Indebtedness of the Company, whether outstanding on the date of issuance of the Notes or thereafter incurred, unless the instrument under which such Indebtedness is incurred expressly provides that it is subordinated in right of payment to any Senior Debt; provided, however, that Senior Debt will not include (i) any liability for federal, state, local or other taxes owed or owing by the Company, (ii) any Indebtedness of the Company to any of its Subsidiaries or (iii) any trade payables.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act as such Regulation is in effect on the date hereof.

"Subsidiary" means, with respect to any Person, (a) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof) and (b) any partnership (i) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the date on which this Indenture is qualified under the TIA.

"Trading Day" means any day on which the NASDAQ National Market or other applicable stock exchange or market on which the Common Stock is listed or quoted is open for business.

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

SECTION 1.2. OTHER DEFINITIONS.

Term	Defined in Section
"Change of Control Offer"	4.8
"Change of Control Payment"	4.8
"Change of Control Payment Date"	4.8
"Conversion Date"	11.2
"Conversion Price"	11.4
"Covenant Defeasance"	8.3
"DTC"	2.3
"Event of Default"	6.1
"Legal Defeasance"	8.2
"Paying Agent"	2.3
"Payment Default"	6.1
"Payment Blockage Notice"	10.3
"Registrar"	2.3
"Representative"	10.5

SECTION 1.3. INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. Any terms incorporated in this Indenture that are defined by the TIA, defined by the TIA by reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

SECTION 1.4. RULES OF CONSTRUCTION

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) provisions apply to successive events and transactions; and

(6) the words "include", "includes", and "including" shall be deemed to be followed by the phrase "without limitation"; and

(7) references to sections of or rules under the Securities Act shall be deemed to include substitute, replacement of successor sections or rules adopted by the SEC from time to time.

ARTICLE 2
THE NOTES

SECTION 2.1. FORM AND DATING.

The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The Notes shall be issued in denominations of $1,000 and integral multiples thereof.

The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

(a) Global Notes. Notes issued in exchange for the Preferred Stock may be issued initially in the form of one or more Global Notes, which shall be deposited on behalf of the Holders of the Notes represented thereby with a custodian of the Depository, and registered in the name of the Depository or a nominee of the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee as hereinafter provided.

Each Global Note shall represent such of the outstanding Notes as shall be specified therein and each shall provide that it shall represent the aggregate amount of outstanding Notes from time to time endorsed thereon and that the aggregate amount of outstanding Notes represented thereby may from time to time be reduced or increased, as

appropriate, to reflect exchanges, redemptions and transfers of interests. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the

Trustee or the Note Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.6 hereof.

Except as set forth in Section 2.6 hereof, the Global Notes may be transferred, in whole and not in part, only to another nominee of the Depository or to a successor of the Depository or its nominee.

(b) Book-Entry Provisions. The Company shall execute and the Trustee shall, in accordance with Section 2.2, authenticate and deliver the Global Notes, if any, that (i) shall be registered in the name of the Depository or the nominee of the Depository and (ii) shall be delivered by the Trustee to the Depository or pursuant to the Depository's instructions or held by the Trustee as custodian for the Depository.

Participants shall have no rights either under this Indenture with respect to any Global Note held on their behalf by the Depository or by the Note Custodian as custodian for the Depository or under such Global Note, and the Depository may be treated by the Company, the Trustee and any Agent of the Company or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any Agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Participants, the operation of customary practices of such Depository governing the exercise of the rights of an owner of a beneficial interest in any Global Note.

(c) Definitive Notes. Notes issued in certificated form shall be substantially in the form of Exhibit A attached hereto (but without including the text referred to in footnotes 1 and 2 thereto).

SECTION 2.2. EXECUTION AND AUTENTICATION.

Two Officers shall sign the Notes for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Notes and may be in facsimile form.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture. The form of Trustee's certificate of authentication to be borne by the Notes shall be substantially as set forth in Exhibit A hereto.

The Trustee shall, upon a written order of the Company signed by two Officers, authenticate Notes for original issue up to $21,400,000 aggregate principal amount of the Notes. Such written order shall specify the exact aggregate principal amount of Notes to be authenticated. The aggregate principal amount of Notes outstanding at any time may not exceed such amount except as provided in Section 2.7 hereof.

The Trustees may appoint an authenticating agent acceptable to the Company to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

SECTION 2.3. REGISTRAR AND PAYING AGENT.

The Company shall maintain an office or agency in the State of New York where Notes may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Notes may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company shall notify the Trustee in writing of the name and address of any Agent

not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture, and such agreement shall incorporate the TIA's provisions of this Indenture that relate to such Agent. The Company or any Significant Subsidiary may act as Paying Agent or Registrar.

The Company initially appoints The Depository Trust Company ("DTC") to act as Depository with respect to the Global Notes.

The Company initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Note Custodian with respect to the Global Notes.

SECTION 2.4. PAYING AGENT TO HOLD MONEY IN TRUST.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of or premium or interest on the Notes, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trust, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Significant Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee shall serve as Paying Agent for the Notes.

SECTION 2.5. HOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the

Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes and the Company shall otherwise comply with TIA Section 312(a).

SECTION 2.6. TRANSFER AND EXCHANGE.

(a) Transfer and Exchange of Global Notes. The transfer and exchange of Global Notes or beneficial interests therein shall be effected through the Depository, in accordance with this Indenture and the procedures of the Depository therefor. Beneficial interests in a Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Global Note.

(b) Transfer and Exchange of Definitive Notes. When Definitive Notes are presented by a Holder to the Registrar with a request to register the transfer of the Definitive Notes or to exchange such Definitive Notes for an equal principal amount of Definitive Notes of other authorized denominations, the Registrar shall register the transfer or make the exchange as required only if the Definitive Notes are presented or surrendered for registration of transfer or exchange, are endorsed and contain a signature guarantee or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by such Holder or by his attorney and contains a signature guarantee.

(c) Transfer of a Beneficial Interest in a Global Note for a Definitive Note. Any Person having a beneficial interest in a Global Note may upon request, subject to the Applicable Procedures, exchange such beneficial interest for a Definitive Note, upon receipt by the Trustee of written instructions or such other form of instructions as is customary for the Depository, from the Depository or its nominee on behalf of any Person having a beneficial interest in a Global Note.

(d) Restrictions on Transfer and Exchange of Global Notes. Notwithstanding any other provision of this Indenture, a Global Note may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(e) Authentication of Definitive Notes in Absence of Depository. If at any time:

(i) the Depository for the Notes notifies the Company that the Depository is unwilling or unable to continue as Depository for the Global Notes and a successor Depository for the Global Notes is not appointed by the Company within 90 days after delivery of such notice; or

(ii) the Company, at its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of Definitive Notes under this Indenture, then the Company shall execute, and the Trustee shall, upon receipt of an authentication order in accordance with Section 2.2 hereof, authenticate and deliver, Definitive Notes in an

aggregate principal amount equal to the principal amount of the Global Notes in exchange for such Global Notes.

(f) Cancellation and/or Adjustment of Global Notes. At such time as all beneficial interests in Global Notes have been exchanged for Definitive Notes, redeemed, repurchased or cancelled, all Global Notes shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for Definitive Notes, redeemed, repurchased or cancelled, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note, by the Trustee or the Note Custodian, at the direction of the Trustee to reflect such reduction.

(g) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, subject to this Section 2.6 the Company shall execute and the Trustee shall authenticate Definitive Notes and Global Notes at the Registrar's request.

(ii) No service charge shall be made to a Holder for any registration of transfer or exchange, but the Company or the Trustee may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 3.7, 4.8 and 9.5 hereof).

(iii) The Registrar shall not be required to register the transfer of or exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(iv) All Definitive Notes and Global Notes issued upon any registration of transfer or exchange of Definitive Notes or Global Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture as the Definitive Notes or Global Notes surrendered upon such registration of transfer or exchange.

(v) The Company shall not be required:

(A) to issue, to register the transfer of or to exchange Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under

Section 3.2 hereof and ending at the close of business on the day of selection;

(B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part;

(C) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date; or

(D) to register the transfer of a Note other than in amounts of $3,000 or multiple integrals thereof.

(vi) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes, and neither the Trustee, any Agent nor the Company shall be affected by notice to the contrary.

(vii) The Trustee shall authenticate Definitive Notes and Global Notes in accordance with the provisions of Section 2.2 hereof.

SECTION 2.7. REPLACEMENT NOTES.

If any mutilated Note is surrendered to the trustee or the Company or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company shall issue and the Trustee, upon the written order of the Company signed by two Officers of the Company, shall authenticate a replacement Note if the trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond must be supplied by the Holder that is sufficient in the judgement of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Company or the Trustee may charge for its expenses in replacing a Note.

Every replacement Note is an additional obligation of the Company and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

SECTION 2.8. OUTSTANDING NOTES.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the trustee in accordance with the provisions hereof, and those described in this Section as not outstanding. Except as set forth in Section 2.9 hereof, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note.

If a Note is lost, destroyed or stolen and is then replaced pursuant to Section 2.7 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the entire principal of and premium and interest on any Note is considered paid under Section 4.1 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Company, a Subsidiary of the Company or an Affiliate) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

SECTION 2.9. TREASURY NOTES.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company, a Subsidiary of the Company or an Affiliate, shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that a Trustee knows are so owned shall be so disregarded. Notwithstanding the foregoing, Notes that the Company, a Subsidiary of the Company or an Affiliate offers to purchase or acquires pursuant to an offer, exchange offer, tender offer or otherwise shall not be deemed to be owned by the Company, a Subsidiary of the Company or an Affiliate until legal title to such Notes passes to the Company, such Subsidiary or such Affiliate as the case may be.

SECTION 2.10. TEMPORARY NOTES.

Until Definitive Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes upon a written order of the Company signed by two Officers of the Company. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Company considers appropriate for temporary Notes and as shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate Definitive Notes in exchange for temporary Notes. Until such exchange, Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

SECTION 2.11. CANCELLATION.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall destroy cancelled Notes (subject to the record retention requirement of the Exchange Act). Certification of the destruction of all cancelled Notes shall be delivered to the Company. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the trustee for Cancellation.

SECTION 2.12. DEFAULTED INTEREST.

If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.1 hereof. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company shall fix or cause to be fixed each such special record date and payment date, provided that no such special record date shall be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Company (or, upon the written request of the Company, the trustee in the name and at the expense of the Company) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

ARTICLE 3
REDEMPTION AND PREPAYMENT

SECTION 3.1. NOTICES TO TRUSTEE.

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.7 hereof, it shall furnish to the trustee, at least 45 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth (i) the clause of this Indenture pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Notes to be redeemed and (iv) the redemption price.

SECTION 3.2. SELECTION OF NOTES TO BE REDEEMED.

If less than all of the Notes are to be redeemed at any time, the trustee shall select the Notes to be redeemed among the Holders of the Notes in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not so listed, on a pro rata basis, by lot or in accordance with any other method the Trustee considers fair and appropriate; PROVIDED that no Notes of $1,000 or less shall be redeemed in part. In the event of partial redemption by lot, the particular Notes to be redeemed shall be selected, unless otherwise provided herein, by the Trustee from the outstanding Notes not previously called for redemption within 10 business days after receipt of the Officers' certificate pursuant to Section 3.1 hereof.

The Trustee shall promptly notify the company in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. Notes and portions of Notes selected shall be in amounts of $1,000 or whole multiples of $1,000. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

SECTION 3.3. NOTICE OF REDEMPTION.

At least 30 days but not more 60 days before a redemption date, a public notice of the redemption shall be made and the Company shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address with copies to the Trustee.

The notice shall identify the Notes to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price;

(c) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in a principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Note;

(d) the name and address of the Paying Agent;

(e) the Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Company defaults in making such redemption payment, interest or Notes called for redemption cease to accrue on and after the redemption date;

(g) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(h) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense; provided, however, that in all cases, the text of such notice of redemption shall be prepared or approved by the Company and the Trustee shall have not responsibility whatsoever with regard to such notice being accurate or correct.

SECTION 3.4. EFFECT OF NOTICE OF REDEMPTION.

Once notice of redemption is mailed in accordance with Section 3.3 hereof, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

SECTION 3.5. DEPOSIT OF REDEMPTION PRICE.

One Business Day prior to the redemption date, the Company shall deposit with the Paying Agent money sufficient to pay the redemption price of and accrued interest on all Notes to be redeemed on that date. The Paying Agent shall promptly return to the Company any money deposited with the Paying Agent by the Company in excess of the amounts necessary to pay the redemption price of and accrued interest on all Notes to be redeemed.

If the Company complies with the provisions of the preceding paragraph, on and after the redemption at, interest shall cease to accrue on the Notes or the portions of the Notes called for redemption. If a Note is redeemed on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Notes was registered at the close of business on such record date. If any Note called for redemption shall not be so paid upon surrendered for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption date until such principal is paid, and to the extent lawful on any interest not paid or such unpaid principal, in each case at the rate provided in the Notes and in Section 4.1 hereof.

SECTION 3.6. NOTES REDEEMED IN PART.

Upon surrender of a Note that is redeemed in part, the Company shall issue and, upon the Company's written request, the Trustee shall authenticate for the Holder at the Expense of the Company a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

SECTION 3.7. OPTIONAL REDEMPTION.

(a) The Company shall have the option to redeem the Notes pursuant to this Section 3.7 on or after August 15, 2000. The Company shall have the option to redeem the Notes, in whole or from time to time in part, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest thereon, to the applicable redemption date, if redeemed during the twelve-month period beginning on August 15 of the years indicated below:

Year	Percentage
2000.....	104.4%
2001.....	102.9%
2002.....	101.5%
2003 and thereafter.....	100.0%

Notwithstanding the foregoing, on or after August 15, 1999 and until August 15, 2000, the Company may, at its option, redeem the Notes at 105.9% of the principal amount plus accrued and unpaid interest thereof if the Common Stock bid price has averaged not less than 1.5 times the Conversion Price during 20 consecutive Trading Days.

(b) Any redemption pursuant to this Section 3.7 shall be made pursuant to the provisions of Section 3.1 through 3.6 hereof.

SECTION 3.8. NO MANDATORY REDEMPTION.

Except as provided in Section 4.8, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

ARTICLE 4
COVENANTS

SECTION 4.1. PAYMENT OF NOTES.

The Company shall pay or cause to be paid the principal of and premium and interest on the Notes on the date and in the manner provided in the Notes. Principal, premium and interest shall be considered paid on the date due if the Paying agent, if other than the Company or a Subsidiary thereof, holds as of 5:00 p.m. New York City time on the Business Day immediately prior to the due date money deposited by the Company in immediately available funds and designed for and sufficient to pay all principal, premium and interest then due.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to the interest rate on the Notes to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) at the same rate to the extent lawful.

SECTION 4.2. MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain an office or agency in the state of New York (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Note may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the company of its obligation to maintain an office or agency for such purposes. The Company shall give prompt written notice tot he trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Officer of the trustee as one such office or agency of the Company in accordance with Section 2.3

SECTION 4.3. REPORTS.

Whether or not the Company is required to do so by the rules and regulations of the SEC, the Company will file with the SEC (unless the SEC will not accept such a filing) and within 15 days of filing, or attempting to file, the same with the SEC, furnish to the holders of the Notes and the Trustee (a) all quarterly and annual financial and other information with respect to the Company that would be required to be contained in a filing with the SEC on Forms 10-0 and 10-K if the Company were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report thereon by the Company's certified independent accountants, and (b) all current report that would be required to be filed with the SEC on Form 8-K if the Company were required to file such reports. The Company shall at all times comply with TIA Section 314(a).

SECTION 4.4. COMPLIANCE CERTIFICATE.

(a) The Company shall deliver to the trustee, within 90 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Company and its Significant Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificates, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or,

if a Default or Event of Default shall have occurred, describing all such Defaults or Events of

Defaults of which he or she may have knowledge and what act the Company is taking or proposes to take wit respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.3 above shall be accompanied by a written statement of the Company's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Company has violated any provisions of Article 4 or Article 5 hereof or if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirect to any Person for any failure to obtain knowledge of any such violation.

(c) The Company shall, so long as any of the Notes are outstanding, deliver to the Trustee, as soon as possible upon any Officer becoming aware of any Default or Event of Default, an Officer's Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

SECTION 4.5. TAXES.

The Company shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies excerpt such as are contested in good faith and by appropriate proceedings or whether the failure to effect such payment is not adverse in any material respects to the Holders of the Notes.

SECTION 4.6. STAY, EXTENSION AND USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim to take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.7. CORPORATE EXISTENCE.

Subject to Article 5 hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, and the corporate, partnership or other existence of each of its Significant Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Significant Subsidiary, provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Significant Subsidiaries, if the Board of Directors shall determine that the

preservation thereof is no longer desirable in the conduct of the business of the Company and its Significant Subsidiaries, takes as a whole.

SECTION 4.8. OFFER TO REPURCHASE UPON CHANGE OF CONTROL.

(a) Within 10 days of the occurrence of a Change of Control, the Company shall give notice to the Holders and the Trustee that a Change of Control has occurred (the "Change of Control Notice"). Subject to subparagraph (c) below, upon the occurrence of a Change of Control, as the option of the Holders of a majority in principal amount of Notes exercised by the giving of notice to the Company within 20 days of receipt of the Change of Control Notice, the company shall make an offer (a "Change of Control Offer") to repurchase all or any part (equal to $1,000 or any integral multiple thereof) of each Holders' Notes at an offer price in cash and/or shares of Common Stock (as valued below) equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, thereon to the date of repurchase (the "Change of Control Payment"). The Company shall deliver to the trustee copies of all notices received from the Holders in response to the Change of Control Notice. The Change of Control Payments shall be made at the option of the Company either in (a) cash, (b) fully registered shares of common Stock valued at 95% of the average closing price of the Common Stock during the 20 Trading Days prior to such change of Control Payment if the Board of Directors of the Company determines that the payment of the Change of Control Payment in fully registered shares of Common Stock will not adversely affect the voting rights, preferences, privileges or relative, participating, optional or other specified rights of the holders of the Common Stock or (c) a combination of cash and shares of Common Stock (as valued above). Within 10 days following the receipt by the Company from the Holders of a sufficient number of the notices described in the second sentence of this Section 4.8(a), the company shall mail a notice to each Holder and the Trustee stating: (i) that the Change of Control Offer is being made pursuant to this Section 4.8 and that all Notes validly tendered and not withdrawn will be accepted for payment; (ii) the purchase price and the purchase date, which shall be no earlier than 30 days but no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"); (iii) that any Note not tendered will continue to accrue interest; (iv) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date; (v) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, properly endorsed for transfer together with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes completed and such customary documents as the Company may reasonably request, to the Paying agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date; (vi) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Note purchased; and (vii) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof. The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and

regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes as a result of a Change of Control. In the event of any discrepancy between this Indenture and such rules and regulations, the requirements of Rule 14e-1 under the Exchange Act, any successor provisions thereto, and the securities law and regulations thereunder shall control.

(b) On or before the Business Day immediately prior to the Change of Control Payment Date, the Company shall, to the extent lawful, (i) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent an amount, whether in cash or Common Stock, equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered and (iii) delivered or cause to be delivered to the Trustee the Notes so accepted together with an Officers' certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company. The Paying Agent shall promptly mail to each holder of Notes so tendered the Change of Control Payment for such

Notes, and the Trustee shall promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided, that each such new Note will be in a principal amount of $1,000 or an integral multiple thereof. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) Notwithstanding the foregoing, prior to complying with the provisions of this Section 4.8, but in any event within 60 days following a Change of Control, the Company shall repay all outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase the Notes required by this Section 4.8.

ARTICLE 5
SUCCESSORS

SECTION 5.1. MERGER, CONSOLIDATION OR SALE OF ASSETS.

The Company shall not consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another corporation, Person or entity unless (a) the Company is the surviving corporation or the entity or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia, (b) the entity or Person formed by or surviving any such consolidation or merger (if other than the Company) or the entity or Person to which such sale, assignment, transfer, lease conveyance other disposition shall have been made assumes all the obligations of the Company under the Notes and this Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee, (c) immediately after such transaction no Default or Event of Default exists, and (d) the Company or such other Person shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel stating that such

consolidation, merger, sale, assignment, transfer, lease, conveyance or disposal complies with this Indenture and that all conditions precedent in this Indenture have been satisfied.

SECTION 5.2. SUCCESSOR CORPORATION SUBSTITUTED.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.1 hereof, the successor corporation formed by such consolidation or into or with which the Company is merger or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor corporation and not to the Company), and may exercise very right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein. When a successor corporation assumes all of the obligations of the Company hereunder and under the Notes and agrees to be bound hereby and thereby, the predecessor Company shall be relived form such obligations.

ARTICLE 6
DEFAULTS AND REMEDIES

SECTION 6.1. EVENTS OF DEFAULT.

An "Event of Default" occurs if:

(a) the Company defaults in the payment when due of interest on the Notes and such default continues for a period of 30 days:

(b) the Company defaults in payment when due of principal of or premium on the Notes when the same becomes due and payable at maturity, upon

redemption (including in connection with an offer to purchase) or otherwise;

(c) the Company fails to comply with any of the provisions of Section 4.8 hereof;

(d) the Company fails to observe or perform any other covenant, representation, warranty or other agreement in this Indenture or the Notes for 60 days after notice to the Company by the Trustee or the Holders of at least 25% in principal amount of the Notes then outstanding of such failure;

(e) the Company pursuant to or within the meaning of Bankruptcy Law:

(i) commences a voluntary case;

(ii) consents to the entry of an order for relief against it in an involuntary case;

(iii) consents to the appointment of a custodian of it or for all or substantially all of its property; or

(iv) makes a general assignment for the benefit of its creditors.

(f) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company in an involuntary case;

(ii) appoints a custodian of the Company for all or substantially all of the property of the Company, or

(iii) orders the liquidation of the Company; and the order or decree remains unstayed and in effect for 60 consecutive days.

SECTION 6.2. ACCELERATION.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately by a notice in writing to the Company (and to the Trustee if such written notice is given by the Holders). Upon any such declaration, the Notes shall become due and payable immediately. Notwithstanding the foregoing, if an Event of Default specified in clause (3) or (f) of Section 6.1 hereof occurs, all outstanding Notes shall be due and payable immediately without further action or notice. The Holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may on behalf of all of the Holders rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal, premium or interest that has become due solely because of the acceleration) have been cured or waived.

SECTION 6.3. OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of, premium and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.4. WAIVER OF PAST DEFAULTS.

Holders of a majority in aggregate principal amount of the then

outstanding Notes by written notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or

Event of Default in the payment of the principal of, premium or interest on the Notes (including in connection with an offer to purchase) (provided, however, that the Holders of a majority in aggregate principal amount of the then outstanding Notes with written notice to the Trustee may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration) in accordance with Section 6.2 hereof. Upon any such waiver, such Default shall cease to exist and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any rights of the Trustee or the Holders consequent thereon.

SECTION 6.5. CONTROL BY MAJORITY.

Holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability.

SECTION 6.6. LIMITATION ON SUITS.

A Holder of a Note may pursue a remedy with respect to this Indenture or the Notes only if:

(a) the Holder of a Note gives to the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least 25% in principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder of a Note or Holders of Notes offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(e) during such 60-day period the Holders of a majority in principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request.

A holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

SECTION 6.7. RIGHTS OF HOLDERS OF NOTES TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal of, premium and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring

suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.8. COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.1(a) or (b) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal of, premium and interest remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.9. TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceedings is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, and prior to any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. PRIORITIES.

If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 7.7 hereof, including payment of all reasonable compensation, expense and liabilities incurred, and all advances made, by the Trustee and the Trustee's costs and expenses of collection;

Second: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium and interest ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium and interest respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

SECTION 6.11. UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder of a

Note pursuant to Section 6.7 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

ARTICLE 7
TRUSTEE

SECTION 7.1. DUTIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and power vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5 hereof or with an Officers' Certificate or Opinion of Counsel received by it pursuant to Section 7.2(b).

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.2. RIGHTS OF TRUSTEE.

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request of direction.

SECTION 7.3. INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

SECTION 7.4. TRUSTEE'S DISCLAIMER.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any Provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statements in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.5. NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to Holders of Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

The Trustee shall not be deemed to have knowledge of any Default or Event of Default except (i) provided that the Trustee is the Paying Agent, a Default or Event of Default arising under Section 6.1(a) or (b), or (ii) any Default or Event of Default of which the Trustee shall have received written notice in accordance with the terms of this Indenture, and such notice shall not be deemed to include receipt of information obtained in any information, documents and reports furnished, filed or delivered to the Trustee under Section 4.3

SECTION 7.6. REPORTS BY TRUSTEE TO HOLDERS OF THE NOTES.

Within 60 days after each July 15 beginning with the July 15 following the date of this Indenture, and for so long as Notes remain outstanding, the Trustee shall mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA Section 313(a) (but if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA Section 313(b)(2) to the extent applicable. The Trustee shall also transmit by mail all reports as required by TIA Section 313(c).

A copy of each report at the time of its mailing to the Holders of Notes shall be mailed to the Company and filed with the SEC and each stock exchange on which the Notes are listed in accordance with TIA Section 313(d). The Company shall promptly notify the Trustee, in writing when the Notes are listed on any stock exchange.

SECTION 7.7. COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee and its directors, officers, agents and employees against any and all losses, liabilities or expenses incurred by it or such director, officer, agent or employee arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Company (including this Section 7.7) and defending itself or such director, officer, agent or employee against any claim (whether asserted by the Company or any Holder or any other person) or liability in connection with the exercise or performance of any of its or their powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its or their negligence, bad faith or willful misconduct. The Trustee shall notify the Company promptly of any claim for which it or such director, officer, agent or employee may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee and such officer, director, agent or employee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The obligations of the Company under this Section 7.7 shall survive the satisfaction and discharge of this Indenture.

To secure the Company's payment obligations in this Section, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that

held in trust to pay principal and interest on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.1(e) or (f) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.8. REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10 hereof;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a custodian or public officer takes charge of the Trustee or its property;

(d) the Trustee becomes incapable of acting; or

(e) prior to the issuance of any Notes hereunder, the Board of Directors determines to remove the Trustee; provided, that the Company shall have paid all amounts owed to the Trustee pursuant to Section 7.7.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of at least 10% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder of a Note who has been a Holder of a Note for at least six months, fails to comply with Section 7.10 hereof, such Holder of a Note may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of the Notes. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.7 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.8, the Company's obligations under Section 7.7 hereof shall continue for the benefit of the retiring Trustee.

SECTION 7.9. SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 7.10. ELIGIBILITY; DISQUALIFICATION.

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has (or is part of a bank holding company that has) a

combined capital and surplus of at least $100 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1), (2) and (5). The Trustee is subject to TIA Section 310(b).

SECTION 7.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee is subject to TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE 8
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

SECTION 8.1. OPTION TO EFFECT LEGAL DEFEASANCE OR COVENANT DEFEASANCE.

The Company may, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, at any time, exercise its rights under either Section 8.2 or 8.3 hereof with respect to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

SECTION 8.2. LEGAL DEFEASANCE AND DISCHARGE.

Upon the Company's exercise under Section 8.1 hereof of the option applicable to this Section 8.2, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.4 hereof, be deemed to have discharged its obligations with respect to all outstanding Notes on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes (which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.5 hereof and the other Sections of this Indenture referred to in (a) and (b) below) and to have satisfied all its other obligations under such Notes and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Notes to receive solely from the trust fund described in Section 8.4 hereof, and as more fully set forth in such Section, payments in respect of the principal of, premium and interest on such Notes when such payments are due, (b) the Company's obligations with respect to such Notes under Sections 2.3, 2.4, 2.7, 2.10 and 4.2 hereof, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's obligations in connection therewith and (d) this Article 8. Subject to compliance with this Article 8, the Company may exercise its option under this Section 8.2 notwithstanding the prior exercise of its option under Section 8.3 hereof.

SECTION 8.3. COVENANT DEFEASANCE.

Upon the Company's exercise under Section 8.1 hereof of the option applicable to this Section 8.3, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.4 hereof, be released from its obligations under the covenants contained in Article 4 (other than those in Sections 4.1, 4.2, 4.6 and 4.7) and Section 5.1 hereof with respect to the outstanding Notes on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with the covenant, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in the covenant, whether directly or indirectly, by reason of any reference elsewhere herein to the covenant or by reason of any reference in the covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.1 hereof, but, except as specified above, the

remainder of this Indenture and such Notes shall be unaffected thereby. In addition, upon the Company's exercise under Section 8.1 hereof of the option applicable to this Section 8.3, subject to the satisfaction of the conditions set forth in Section 6.4 hereof, Sections 6.1(c) through 6.1(f) hereof shall not constitute an Event of Default.

SECTION 8.4. CONDITIONS TO LEGAL OR COVENANT DEFEASANCE.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in United States dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of and premium and interest on the outstanding Notes on the stated maturity thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(b) in the case of an election under Section 8.2 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 8.3 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the incurrence of Indebtedness, all or a portion of the proceeds of which will be used to defease the Notes pursuant to this Article 8 concurrently with such incurrence);

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Company is a party or by which the Company is bound;

(f) the Company shall have delivered to the Trustee an Opinion of Counsel (which may be based on such solvency certificates or solvency opinions as counsel deems necessary or appropriate) to the effect that the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(g) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or with the intent of defeasing, hindering, delaying or defrauding creditors of the Company or others; and

(h) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all

conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

SECTION 8.5. DEPOSITED MONEY AND GOVERNMENT SECURITIES TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS.

Subject to Section 8.6 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.5, the "Trustee") pursuant to Section 8.4 hereof in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law. The Company shall not be required to execute a separate trust agreement to implement the trust described in this paragraph.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.4 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 8 to the contrary withstanding, the Trustee shall deliver or pay to the Company from time to time upon the request of the Company any money or non-callable Government Securities held by it as provided in Section 8.4 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.4(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.6. REPAYMENT TO COMPANY.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on any Note and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as a secured creditor look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease, provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in The New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 8.7. REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with Section 8.2 or 8.3 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.2 or 8.3 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.2 or 8.3 hereof, as the case may be; provided, however, that, if the Company makes any payment of principal of, premium, if any, or interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9

SECTION 9.1. WITHOUT CONSENT OF HOLDERS OF NOTES.

Notwithstanding Section 9.2 of this Indenture, the Company and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Holder of a Note:

(a) to cure any ambiguity, defect or inconsistency, provided that such action shall not adversely affect the interests of the Holders in any material respect;

(b) to provide for uncertificated Notes in addition to or in place of certificated Notes.

(c) to provide for the assumption of the Company's obligations to the Holders of the Notes in the case of a merger or consolidation pursuant to Article 5 hereof;

(d) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any Holder of the Notes;

(e) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA; or

(f) at any time prior to the issuance of any Notes hereunder, to make any changes determined appropriate by the Board of Directors.

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 7.2 hereof, the Trustee shall join with the Company in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and make any further appropriate agreements and stipulations that may be therein contained but the Trustee shall not be obligated to enter into such amended or

supplemental Indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.2. WITH CONSENT OF HOLDERS OF NOTES.

Except as provided below in this Section 9.2, the Company and the Trustee may amend or supplement this Indenture and the Notes may be amended or supplemented with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes), and, subject to Sections 6.4 and 6.7 hereof, any existing Default or Event of Default or compliance with any provision of this Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes).

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.2 hereof, the Trustee shall join with the Company in the execution of such amended or supplemental indenture unless such amended or supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental indenture.

It shall not be necessary for the consent of the Holders of Notes under this Section 9.2 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Company shall mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental Indenture or waiver. Subject to Sections 6.4 and 6.7 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Notes. However, without the consent of each Holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder):

(a) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or change the fixed maturity of any Note or alter any of the provisions with respect to the redemption of the Notes (except as provided in Section 4.8 hereof);

(c) reduce the rate of or change the time for payment of interest on any Note;

(d) make any Note payable in money other than that stated in the Notes;

(e) make any changes to Sections 6.4 or 6.7; or

(f) make any change in the foregoing amendment and waiver provisions.

SECTION 9.3. COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment or supplement to this Indenture or the Notes shall be set forth in an amended or supplemental Indenture that complies with the TIA as then in effect.

SECTION 9.4. REVOCATION AND EFFECT OF CONSENTS.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

SECTION 9.5. NOTATION ON OR EXCHANGE OF NOTES.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.6. TRUSTEE TO SIGN AMENDMENTS, ETC.

The Trustee shall sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amendment or supplemental indenture until the Board of Directors approves it. In executing any amended or supplemental indenture, the Trustee shall be entitled to receive and (subject to Section 7.1) shall be fully protected in relying upon an Officers' Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture.

ARTICLE 10
SUBORDINATION

SECTION 10.1. AGREEMENT TO SUBORDINATE.

The Company agrees, and each Holder by accepting a Note agrees, that the Indebtedness evidenced by the Note is subordinated in right of payment, to the extent and in the manner provided in this Article 10, to the prior payment in full of all Senior Debt (whether outstanding

on the date hereof or hereafter created, incurred, assumed or guaranteed), and that the subordination is for the benefit of the holders of Senior Debt.

SECTION 10.2. LIQUIDATION; DISSOLUTION; BANKRUPTCY.

Upon any distribution to creditors of the Company in a liquidation or dissolution of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property, in an assignment for the benefit of creditors or any marshalling of the Company's assets and liabilities:

(a) holders of Senior Debt shall be entitled to receive payment in full of all Obligations due in respect of such Senior Debt (including interest after the commencement of any such proceeding at the rate specified in the applicable Senior Debt) before Holders shall be entitled to receive any payment with respect to the Notes; and

(b) until all Obligations with respect to Senior Debt are paid in full, any distribution to which Holders would be entitled but for this Article 10 shall be made to holders of Senior Debt (except that Holders may receive securities, including capital stock, that are subordinated at least to the same extent as the Notes to Senior Debt and any securities issued in exchange for Senior Debt).

SECTION 10.3. DEFAULT ON SENIOR DEBT.

(a) The Company may not make any payment or distribution to the Trustee or any Holder in respect of Obligations with respect to the Notes and may not acquire from the Trustee or any Holder any Notes for cash or property (other than securities, including capital stock, that are subordinated at least to the same extent as the Notes to Senior Debt and any securities issued in exchange for Senior Debt) until all principal and other Obligations with respect to the Senior Debt have been paid in full if:

(i) a default in the payment of any principal or other Obligations with respect to any Senior Debt occurs and is continuing beyond any applicable grace period in the agreement, indenture or other document governing such Senior Debt; or

(ii) a default, other than a payment default, on Senior Debt occurs and is continuing that then permits holders of the Senior Debt to accelerate its maturity and the Trustee receives a notice of the default (a "Payment Blockage Notice") from the Company. If the Trustee receives any such payment Blockage Notice, no subsequent Payment Blockage Notice shall be effective for purposes of this Section unless and until (i) at least 179 days shall have elapsed since the date of receipt by the Trustee of the immediately prior Payment Blockage Notice or (ii) the default shall have been cured. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice (it being understood that any subsequent action, or any breach of any covenant during the period commencing after the date of receipt by the Trustee of such Payment Blockage Notice, that, in either case, would give rise to such a default pursuant to any provision under which a default previously existed or was continuing shall constitute a new default for this purpose).

(b) the Company may and shall resume payments on and distributions in respect of the Notes and may acquire them upon the earlier of: (i) in the case of a default referred to in Section 10.3(a)(i) hereof, the date upon which the default is cured or waived, or (ii) in the case of a default referred to in Section 10.3(a)(ii) hereof, the earlier of (1) the date on which such default is cured or waived or (2) 179 days after the applicable Payment Blockage Notice is received by the Company if the maturity of such Senior Debt has not been accelerated (or, if such Senior Debt has been accelerated, such Senior Debt has been paid in full) and if this Article 10 otherwise permits the payment, distribution or acquisition at the time of such payment or acquisition.

SECTION 10.4. ACCELERATION OF NOTES.

If payment of the Notes is accelerated because of an Event of Default, the Company shall promptly notify holders of Senior Debt of the acceleration.

SECTION 10.5. WHEN DISTRIBUTION MUST BE PAID OVER.

(a) In the event that the Trustee or any holder receives any payment of any Obligations with respect to the Notes at a time when the Trustee or such Holder, as applicable, has actual knowledge that such payment is prohibited by Section 10.3 hereof, such payment shall be held by the Trustee or such Holder in trust for the benefit of, and shall be paid forthwith over and delivered, upon written request, to, the holders of Senior Debt as their interests may appear or their representative (the "Representative") under the indenture or other agreement (if any) pursuant to which Senior Debt may have been issued, as their respective interests may appear, for application to the payment of all Obligations with respect to Senior Debt remaining unpaid to the extent necessary to pay such Obligations in full in accordance with the terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt.

(b) With respect to the holders of Senior Debt, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article 10, and no implied covenants or obligations with respect to the holders of Senior Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt, and shall not be liable to any such holders if the Trustee shall pay over or distribute to or on behalf of Holders or the company or any other person money or assets to which any holders of Senior Debt shall be entitled by virtue of this Article 10, except if such payment is made as a result of the willful misconduct or gross negligence of the Trustee.

SECTION 10.6. NOTICE BY COMPANY.

The company shall promptly notify the Trustee and the Paying Agent in writing of any facts known to the Company that would cause a payment of any Obligations with respect to the Notes to violate this Article 10, but failure to give such notice shall not affect the subordination of the Notes to the Senior Debt as provided in this Article 10. The Trustee or any Paying Agent shall not be deemed to have knowledge of any facts or circumstances causing any payment of any Obligations with respect to the Notes to violate this Article 10 unless it shall have received written notice thereof in accordance with the terms of this Indenture, and such notice shall not be

deemed to include receipt of information obtained in any information, documents and reports furnished, filed or delivered to the Trustee under Section 4.3.

SECTION 10.7. SUBROGATION.

After all Senior Debt is paid in full and until the Notes are paid in full, Holders shall be subrogated (equally and ratably with all other Indebtedness pari passu with the Notes) to the rights of holders of Senior Debt to receive distributions applicable to Senior Debt to the extent that distributions otherwise payable to the Holders have been applied to the payment of Senior Debt. A distribution made under this Article 10 to holders of Senior

Debt that otherwise would have been made to Holders is not, as between the Company and Holders, a payment by the Company on the Notes.

SECTION 10.8. RELATIVE RIGHTS.

(a) This Article 10 defines the relative rights of Holders and holders of Senior Debt. Nothing in this Indenture shall: (i) impair, as between the Company and Holders, the obligation of the Company, which is absolute and unconditional, to pay principal of and interest on the Notes in accordance with their terms; (ii) affect the relative rights of Holders and creditors of the Company other than their rights in relation to holders of Senior Debt; (iii) prevent the Trustee or any Holder from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders and owners of Senior Debt to receive distributions and payments otherwise payable to Holders.

(b) If the Company fails because of this Article 10 to pay principal of, premium, if any, or interest on a Note on the due date, the failure is still a Default or Event of Default.

SECTION 10.9. SUBORDINATION MAY NOT BE IMPAIRED BY COMPANY.

No right of any holder of Senior Debt to enforce the subordination of the Indebtedness evidenced by the Notes shall be impaired by any act or failure to act by the Company or any Holder or by the failure of the company or any holder to comply with this Indenture.

SECTION 10.10. DISTRIBUTION OR NOTICE TO REPRESENTATIVE.

Whenever a distribution is to be made or a notice given to holders of Senior Debt, the distribution may be made and the notice given to their Representative.

Upon any payment or distribution of assets of the Company referred to in this Article 10, the Trustee and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of such Representative or of the liquidating trustee or agent or other Person making any distribution to the Trustee or to the Holders for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Debt and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10.

SECTION 10.11. RIGHTS OF TRUSTEE AND PAYING AGENT.

Notwithstanding the provisions of this Article 10 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment or distribution by the Trustee, and the Trustee and the Paying Agent may continue to make payments on the Notes, unless the Trustee shall have received at its Corporate Trust Office at least five Business Days prior to the date of such payment written notice of facts that would cause the payment of any Obligations with respect to the Notes to violate this Article 10. Only the Company may give the notice. Nothing in this Article 10 shall impair the claims of, or payments to, the Trustee under or pursuant to Section 7.7 hereof.

The Trustee in its individual or any other capacity may hold Senior Debt with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

SECTION 10.12. AUTHORIZATION TO EFFECT SUBORDINATION.

Each Holder of a Note by the Holder's acceptance thereof authorizes and directs the Trustee on the Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 10, and appoints the Trustee to act as the Holder's attorney-in-fact for any and all such purposes. If the Trustee does into file a proper proof of claim or proof of debt in the form required in any proceeding referred to in Section 6.9 hereof at least 30 days before the expiration of the time to file such claim, the Holders are hereby authorized to file an appropriate claim.

SECTION 10.13. AMENDMENTS.

The provisions of this Article 10 shall not be amended or modified at any time after the issuance of any Notes hereunder without the written consent of the holders of all Senior Debt (in accordance with the provisions thereof).

ARTICLE 11
CONVERSION OF NOTES

SECTION 11.1. RIGHT TO CONVERT.

Subject to and upon compliance with the provisions of this Indenture, the Holder of any Note shall have the right, at the option of such Holder, at any time (except that, with respect to any Note or portion of a Note that shall be called for redemption or delivered for repurchase, such right shall terminate immediately prior to close of business on the date fixed for redemption of such Note or portion of such Note unless the Company shall default in payment due upon redemption thereof) to convert the principal amount of any such Note, or any portion thereof, into that number of fully paid and nonassessable shares of Common Stock (as such shares shall then be constituted) obtained by dividing the aggregate principal amount of the Notes or portion thereof surrendered for conversion by the Conversion price in effect at such time, by surrender of the Note so to be converted in whole or in part in the manner provided in Section 11.2 hereof. Immediately following such conversion, the rights of the Holders of converted Notes shall cease and the Persons entitled to receive the Common Stock upon the conversion of Notes shall be treated for all purposes as having become the owners of such Common Stock.

SECTION 11.2. EXERCISE OF CONVERSION PRIVILEGE; ISSUANCE OF COMMON STOCK ON CONVERSION; NO ADJUSTMENT FOR INTEREST OR DIVIDENDS.

In order to exercise the conversion privilege with respect to any Note in definitive form, a Holder must (a) surrender such Note to be converted, duly endorsed and in a form satisfactory to the Company, at an office or agency maintained by the Company pursuant to Section 4.2 hereof, accompanied by the funds, if any, required by the last paragraph of this Section 11.2, (b) notify the Company at such office that he elects to convert such Note or a portion thereof, specifying the principal amount he wishes to convert, (c) state in writing the name or names (with address) in which he wishes the certificate or certificates for shares of Common Stock to be issued and (d) pay any transfer taxes, if required pursuant to Section 11.7 hereof. The date on which the Holder satisfies all those requirements is the "Conversion Date." Each such Note surrendered for conversion shall, unless the shares issuable on conversion are to be issued in the name of the Holder of such Note as it appears on the Note register, be accompanied by instruments of transfer in form satisfactory to the Company duly executed by the Holder or his duly authorized attorney.

In order to exercise the conversion privilege with respect to any interest in a Global Note, the beneficial Holder must complete the appropriate instruction form for conversion pursuant to the Depositary's book-entry conversion program and follow the other procedures set forth in such program.

As promptly as practicable after the Conversion Date, subject to compliance with any restrictions on transfer if shares issuable on conversion are to be issued in a name other than that of the holder (as if such transfer were a transfer of the note or Notes (or portion thereof) so converted), the Company shall issue and shall deliver to such Holder at the office or agency maintained by the Company for such purpose pursuant to Section 4.2 hereof, a certificate or certificates for the number of full shares issuable upon the conversion of such Note or portion thereof in accordance with the provisions of this Article 11 and a payment in cash in respect of any fractional interest in respect of a share of Common Stock arising upon such conversion, as provided in Section 11.3 hereof. In case any Note shall be surrendered for partial conversion, and subject to Section 2.3 hereof, the Company shall execute and the Trustee shall authenticate and make available for delivery to the holder of the Note so surrendered, without charge to him, a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note.

Each conversion shall be deemed to have been effected as to any note

(or portion thereof) on the Conversion Date, and the person in whose name any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become on such date the Holder of record of the shares represented thereby; provided that any such surrender on any date when the stock transfer books of the Company shall be closed shall constitute the Person in whose name the certificates are to be issued as the record holder thereof for all purposes on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such Note shall have been surrendered.

The Holder of record of a Note at the close of business on a record date with respect to the payment of interest on the Notes will be entitled to receive such interest with respect to such Notes on the corresponding interest payment date, notwithstanding the conversion of such Notes after such record date and prior to such interest payment date. Notes surrendered for conversion during the period from the close of business on any record date for the payment of interest to the opening of business of the corresponding interest payment date must be accompanied by a payment in cash in an amount equal to the interest payable on such interest payment date, unless such Notes have been called for redemption on a redemption date occurring during the period from the close of business on any record date for the payment of interest to the close of business on the business day immediately following the corresponding interest payment date. The interest payment with respect to any Note called for redemption on a date during the period from the close of business on any record date for the payment of interest to the close of business on the business day immediately following the corresponding interest payment date will be payable on such interest payment date to the record Holder of such Note on such record date, notwithstanding the conversion of such Note after such record date and prior to such interest payment date. Except as provided in this Section 11.2, no payment or adjustment will be made upon conversion of Notes for accrued and unpaid interest or for dividends with respect to the Common Stock issued upon such conversion of Notes as provided in this Article 11.

Upon the conversion of any interest in a Global Note, the Trustee, or the Note Custodian at the direction of the Trustee, shall make a notation on such Global Note as to the reduction in the principal amount represented thereby.

SECTION 11.3. CASH PAYMENTS IN LIEU OF FRACTIONAL SHARES.

The Company shall not issue a fractional share of Common Stock upon conversion of the Notes. Instead the Company shall pay a cash adjustment for the current market value of the fractional share. The current market value of a fraction of a share shall be determined as follows: Multiply the current market price of a full share by the fraction. Round the result to the nearest cent. The current market price of a share of Common Stock is the Closing Price of the Common Stock on the last Trading Day prior to the Conversion Date.

SECTION 11.4. CONVERSION PRICE.

The "Conversion Price" shall be that amount as determined pursuant to the company's Restated Certificate of Incorporation with respect to the 8 3/4% Series B Convertible Exchangeable Preferred Stock, filed with the Secretary of State of the State of New Jersey on August 8, 1997, as amended through the date of the exchange of Preferred Stock for the Notes, on the date of exchange of the Preferred Stock for the Notes, subject to adjustment as provided in this Article 11. Notice of the initial Conversion Price shall be set forth in the Officers' Certificate delivered to the Trustee pursuant to Section 2.2 hereof and the Company shall notify the Trustee of any adjustments in the Conversion Price as soon as practicable after determination.

SECTION 11.5. ADJUSTMENT OF CONVERSION PRICE.

The Conversion Price shall be adjusted from time to time by the Company as follows:

(a) In case the Company shall pay or make a dividend or other distribution on any class of capital stock of the Company in Common Stock, the Conversion price in effect at the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator of which shall be the sum of such number of shares and the total number shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination of the holders entitled to such dividends and distributions. For the purposes of this Section 11.5(a), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. The Company shall not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(b) In case the Company shall issue rights, options or warrants to all holders of its Common Stock entitling them to subscribe for, purchase or acquire shares of Common Stock at a price per share less than the current market price per share of the Common Stock on the date fixed for the determination of shareholders entitled to receive such rights, options or warrants, the Conversion Price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such Conversion price by a fraction the numerator of which shall be the number of shares of Common stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription purchase or acquisition would purchase at such current market price and the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription, purchase or acquisition, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination of the holders entitled to such rights, options or warrants. However, upon the expiration of any right, option or warrant to purchase Common Stock, the issuance of which resulted in an adjustment in the Conversion price pursuant to this Section 11.5(b), if any such right, option or warrant shall expire and shall not have been exercised, the Conversion Price shall be recomputed immediately upon such expiration and effective immediately upon such expiration shall be increased to the price it would have been (but reflecting any other adjustments to the Conversion Price made pursuant to the provisions of Section 11.5 hereof after the issuance of such rights, options or warrants) had the adjustment of the Conversion Price made upon the issuance of such rights, options or warrants been made on the basis of offering for subscription or purchase only that number of shares of Common Stock actually purchased upon the exercise of such rights, options or warrants. No further adjustment shall be made upon exercise of any right, option or warrant if any adjustment shall have been made upon the issuance of such security. For the purposes of this Section 11.5(b), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. The Company shall not issue any rights, options or warrants in respect of shares of Common Stock held in the treasury of the Company.

(c) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of

business on the day following the day upon which such subdivision becomes effective shall be reduced, and conversely, in case the outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be increased, to equal the product of the Conversion Price in effect on such date and a fraction the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination, as the case may be, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such subdivision or combination, as the case may be. Such reduction or increase, as the case may be, shall become

effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock (i) evidences of its indebtedness or (ii) shares of any class of capital stock, cash or other assets (including securities, but excluding (1) any rights, options or warrants referred to in Section 11.5(b) hereof, (2) any dividend or distribution referred to in Section 11.5(a) hereof, and (3) cash dividends paid from the Company's retained earnings unless the sum of (A) all such cash dividends and distributions made within the preceding 12 months in respect of which no adjustment has been made and (B) any cash and the fair market value of other consideration paid in respect of any repurchases of Common Stock by the Company or any of its subsidiaries within the preceding 12 months in respect of which no adjustment has been made, exceeds 20% of the Company's market capitalization (being the product of the then current market price per share of the Common Stock times the aggregate number of shares of Common Stock then outstanding) on the record date for such distribution), then in each case, the Conversion Price in effect at the opening of business on the day following the date fixed for the determination of holders of Common Stock entitled to receive such distribution shall be adjusted by multiplying such Conversion Price by a fraction of which the numerator shall be the current market price per share of the Common Stock on such date of determination (or, if earlier, on the date on which the Common stock goes "ex-dividend" in respect of such distribution) less the then fair market value as determined by the Board of Directors, whose determination shall be conclusive and shall be described in a statement filed with any conversion agent) of the portion of the capital stock, cash or other assets or evidences of indebtedness to distributed (and for which an adjustment to the Conversion Price has not previously been made pursuant to the terms of this Section 11.5) applicable to one share of Common Stock, and the denominator shall be such current market price per share of the Common Stock, such adjustment to become effective immediately after the opening of business on the day following such date of determination of the holders entitled to such distribution. The following transactions shall be excluded from the foregoing clauses (A) and (B): (x) repurchases of Common Stock issued under the Company's stock incentive programs and (y) dividends or distributions payable-in-kind in additional shares of or warrants, rights, calls or options exercisable for or convertible into additional shares of Junior Securities.

(e) The reclassification or change of Common Stock into securities including securities other than Common Stock (other than any reclassification upon a consolidation or merger to which Section 11.6 shall apply) shall be deemed to involve (i) a distribution of such securities other than Common stock to all holders of Common Stock (and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of holders of

Common Stock entitled to receive such distribution" within the meaning of Section 11.5(d) hereof), and (ii) a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective" or "the day upon which such combination becomes effective," as the case may be, and "the day upon which such subdivision or combination becomes effective" within the meaning of Section 11.5(c) hereof).

(f) The Company from time to time may reduce the Conversion Price if it considers such reductions to be advisable in order that any event treated for federal income tax purposes as a dividend of stock rights will not be taxable to the holders of Common Stock by any amount, but in no event may the Conversion Price be less than the par value of a share of Common Stock. Whenever the Conversion Price is reduced, the Company shall mail to Holders of record of Notes a notice of the reduction. The Company shall mail the notice at least 15 days before the date the reduced Conversion Price takes effect. The notice shall state the reduced Conversion Price and the period it will be in effect. A reduction of the Conversion Price does not change or adjust the Conversion Price otherwise in effect for purposes of Sections 11.5(a), (b), (c), (d) and (e) hereof.

(g) No adjustment in the Conversion Price need be made until

all cumulative adjustments amount to at least 1% in the Conversion Price, as last adjusted; provided that any adjustments that by reason of this Section 11.5(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article 11 shall be made by the Company and shall be made to the nearest cent.

(h) For the purpose of any computation under Section 11.5, the current market price per share of Common Stock on any day shall be deemed to be the average of the Closing Prices of the Common Stock for the 20 consecutive Trading Days selected by the Board of Directors commencing no more than 30 Trading Days before and ending no later than the day before the day in question; provided that, in the case of Section 11.5(d) hereof, if the period between the date of the public announcement of the dividend or distribution and the date of or the determination of holders of Common Stock entitled to receive such dividend or distribution (or, if earlier, the date on which the Common Stock goes "ex-dividend" in respect of such dividend or distribution) shall be less than 20 Trading Days, the period shall be such lesser number of Trading Days but, in any event not less than five Trading Days.

(i) No adjustment in the Conversion Price shall reduce the Conversion Price below the then par value of the Common Stock. No adjustment in the Conversion Price need be made under Section 11.5(a), (b) or (d) hereof if the Company issues or distributes to each Holder of Notes the shares of Common Stock, evidences of indebtedness, assets, rights, options or warrants referred to in those paragraphs which each Holder would have been entitled to receive had Notes been converted into Common Stock prior to the happening of such event or the record date with respect thereto.

(j) Whenever the conversion price is adjusted as herein provided, the Company shall promptly file with the Trustee and any conversion agent other than the Trustee an

Officers' Certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the fact requiring such adjustment. Promptly after delivery of such certificate, the company shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which each adjustment became effective and shall mail such notice of such adjustment of the Conversion Price to each Holder of Notes at his last address appearing on the Note register provided for in Section 2.5 hereof, within 20 days after execution thereof. Failure to deliver such notice shall not effect the legality or validity of any such adjustment.

(k) In any case in which this Section 11.5 shall require that an adjustment as a result of any event become effective from and after a record date, the company may elect to defer until after the occurrence of such event (i) the issuance to the Holder of and Notes converted after such record date and before the occurrence of such event of the additional shares of Common Stock issuable upon such conversion over and above the shares issuable on the basis of the Conversion Price in effect immediately prior to adjustment and (ii) a cash payment for any remaining fractional shares of Common stock as provided in Section 11.3 hereof; provided, however, that if such event shall not have occurred and authorization of such event shall be rescinded by the Company, the Conversion Price shall be recomputed immediately upon such recision to the price that would have been in effect had such event not been authorized, provided that such recision is permitted by and effective under applicable laws.

SECTION 11.6. EFFECTIVE OF RECLASSIFICATION, CONSOLIDATION, MERGER OR SALE.

In the case of any consolidation of the Company or the merger of the Company with or into any other entity or the sale or transfer of all or substantially all the assets of the Company pursuant to which the Company's Common Stock is converted into other securities, cash or assets, the Company or the successor or purchasing corporation, as the case may be, shall execute with the Trustee a supplemental indenture providing that the Notes shall be convertible into the kind and amount of securities, cash or other assets receivable upon such consolidation merger, sale or transfer by a holder of the number of shares of Common Stock into which such Notes might have been converted immediately prior to such consolidation, merger, transfer or sale assuming such holder of Common Stock failed to exercise any rights of election and received per share the kind and amount receivable per share by a plurality of

non-electing shares. Such supplemental indenture shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 11.

The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder of Notes within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

The above provisions of this Section 11.6 shall similarly apply to successive reclassifications, changes, consolidations, mergers, combinations, sales and conveyances.

SECTION 11.7. TAXES ON SHARES ISSUED.

If a Holder converts Notes, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon the conversion. However, the Holder shall pay any such tax that is due because the shares are issued in a name other than the Holders' name.

SECTION 11.8. RESERVATION OF SHARES; SHARES TO BE FULLY PAID; LISTING OF COMMON STOCK.

The Company has reserved and shall continue to reserve out of its authorized but unissued Common Stock or its Common Stock held in treasury enough shares of Common Stock to permit the conversion of the Notes in full. All shares of Common Stock that may be issued upon conversion of Notes shall be fully paid and nonassessable. The Company shall endeavor to comply with all securities laws regulating the offer and delivery of shares of Common stock upon conversion of Notes and shall endeavor to list such shares on each national securities exchange on which the Common Stock is listed.

SECTION 11.9. COMMON STOCK ISSUABLE UPON CONVERSION.

For purposes of this Article 11, "Common Stock" includes any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which is not subject to redemption by the Company. However, subject to the provisions of Section 11.5(b) hereof, shares issuable on conversion of Notes shall include only shares of the class designated as Common Stock of the Company on the date of issuance of the Preferred Stock pursuant to the Offering or shares of any class or classes resulting from any reclassification thereof and which have no preferences in respect of dividends or amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which are not subject to redemption by the Company, provided that, if at any time there shall be more than one such resulting class, the shares of which such class then so issuable shall be substantially in the proportions which the total number of shares of such class resulting from all such reclassifications to the total number of shares of all such classes resulting from all such reclassifications.

SECTION 11.10. RESPONSIBILITY OF TRUSTEE.

The Trustee and any other conversion agent shall not at any time be under any duty or responsibility to any Holder of Notes to make a determination whether any facts exist that may require any adjustment of the Conversion Price, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other conversion agent shall not be accountable with respect to the validity or value (or the kind or amount of any shares of Common Stock, or of any securities or property, that may at any time be issued or delivered upon the conversion of any Note; and the Trustee and any other conversion agent make no representations with respect thereto. Subject to the provision of Section 7.1 hereof, neither the Trustee nor any conversion agent shall be responsible for any failure of the Company to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property in cash upon the surrender of any Note for the purpose

of conversion or to comply with any of the duties, responsibilities or covenants of the Company contained in this Article 11. Without limiting the generality of the foregoing, neither the Trustee nor any conversion agent shall be under any responsibility to determine whether a supplemental indenture under Section 11.6 hereof is required to be entered into or the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 11.6 relating either to the amount of shares receivable by Holders upon the conversion of their Notes after any event referred to in Section 11.6 hereof or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 7.1 hereof, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

SECTION 11.11. NOTICE TO HOLDERS PRIOR TO CERTAIN ACTIONS.

In case (a) the Company makes any distribution or dividend that would require an adjustment in the Conversion Price pursuant to Section 11.5 hereof, (b) the Company takes any action that would require a supplemental indenture pursuant to Section 11.6 hereof or (c) of the voluntary or involuntary dissolution, liquidating or winding-up of the Company, the Company shall cause to be filed with the Trustee and to be mailed to each Holder of Notes as promptly as possible but in any event at least 15 days prior to the applicable date hereinafter specified, a notice stating (i) the date on which a record date is to be taken for the purpose of such dividend, distribution, rights, options or warrants, or, if a record is not to be taken, the date as of which the holders of Common stock of record to be entitled to such dividend, distribution, rights, options or warrants are to be determined or (ii) the date on which such reclassification, change, consolidation, merger, sale, conveyance, transfer, dissolution, liquidation or winding-up is expected to become effective or occur and the date as of which it is expected that holders of record of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, change, consolidation, merger, sale, conveyance, transfer, dissolution, liquidation or winding-up. Neither the failure to give such notice nor any defect therein shall affect the legality or validity of the proceedings referenced in clauses (a) through (c) of this Section 11.11.

ARTICLE 12
MISCELLANEOUS

SECTION 12.1. TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by Subsection (c) of Section 318 of the TIA , the imposed duties shall control. The provisions of Section 310 and 317, inclusive, of the TIA that impose duties on any Person (including provisions automatically deemed included in an indenture unless the indenture provides that such provisions are excluded) are a part of and govern this Indenture, except as, and to the extent, expressly excluded form this Indenture, as permitted by the TIA.

SECTION 12.2. NOTICES.

Any notice or communication shall be in writing and delivered in person or mailed by first class mail (registered or certified, return receipt requested), or overnight air courier guaranteeing next day delivery, addressed as follows:

If to the Company:

KTI, INC.
7000 Boulevard East
Guttenberg, NJ 07093
Telecopier No.: (201) 854-1771
Attention: General Counsel

With a copy to:

McDermott, Will & Emery
50 Rockerfeller Plaza
New York, NY 10020
Telecopier No.: (212) 547-5444
Attention: Brian Hoffmann, Esq.

If to the Trustee:

SunTrust Bank, Central Florida, National Association
225 East Robinson Street
Suite 250
Orlando, FL 32801
Telecopier No.: (407) 237-4791
Attention: Ms. Lisa Derryberry

With a copy to:

Holland & Knight LLP
701 Brickell Avenue
Miami, FL 33131
Telecopier: (305) 789-7799
Attention: Douglas F. Darbut, Esq.

The Company or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA Section 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails or otherwise gives a notice or communication to Holder, it shall similarly mail or give a copy to the Trustee and each Agent at the same time.

SECTION 12.3. COMMUNICATION BY HOLDERS OF NOTES WITH OTHER HOLDERS OF NOTES.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 12.4. CERTIFICATE AND OPINION AS TO CONDITONS PRECEDENT.

Upon any request or application by the Company to the trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 12.5 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied, and

(b) an Opinion of Counsel in form and substance reasonably

satisfactory to the Trustee (which shall include the statements set froth in Section 12.5 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

SECTION 12.5. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section 314(a)(4)) shall comply with the provisions of TIA Section 314(e) and shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

SECTION 12.6. RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 12.7. NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND SHAREHOLDERS.

No past, present or future director, officer, employee, incorporator or shareholder of the Company, as such, shall have any liability for any obligations of the Company under the Notes, this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuances of the Notes.

SECTION 12.8. GOVERNING LAW.

THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE AND THE NOTES.

SECTION 12.9. NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS

This indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Significant Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 12.10. SUCCESSORS.

All agreements of the Company in this Indenture and the Notes shall bind their successors. All agreements of the Trustees in this Indenture shall bind its successors.

SECTION 12.11. SEVERABILITY.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 12.12. COUNTERPART ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same

agreement.

SECTION 12.13. TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

SIGNATURES

Dated as of July ___, 1998

KTI, INC.

By: _____
Name:
Title:

Dated as of July ___, 1998

SUNTRUST BANK, CENTRAL FLORIDA

NATIONAL ASSOCIATION, _____

By: _____
Name:
Title:

Exhibit 99(d)(2)

KTI, INC.

CASELLA WASTE SYSTEMS, INC.

8 3/4 Convertible Subordinated Notes Due 2004

SUPPLEMENTAL INDENTURE

Dated as of December 14, 1999

SUNTRUST BANK, CENTRAL FLORIDA, NATIONAL ASSOCIATION

Trustee

SUPPLEMENTAL INDENTURE dated as of December 14, 1999, between KTI, INC., a New Jersey corporation (the "Company"), CASELLA WASTE SYSTEMS, INC., a Delaware corporation ("Casella"), and SUNTRUST BANK, CENTRAL FLORIDA, NATIONAL ASSOCIATION, as trustee (the "Trustee").

WHEREAS, the Company and the Trustee entered into an Indenture dated as of July 31, 1998 (the "Indenture") for the equal and ratable benefit of the holders of the 8 3/4% Convertible Subordinated Notes due August 15, 2004, issued by the Company (the "Notes"); and

WHEREAS, in accordance with an Agreement and Plan of Merger dated as of January 12, 1999, as amended (the "Merger Agreement"), the Company, Casella and Rutland Acquisition Sub, Inc. have agreed to the merger of Rutland Acquisition Sub, Inc. with and into the Company (the "Merger"), as a result of which, the Company shall become a wholly-owned subsidiary of Casella; and

WHEREAS, the Company is permitted under the terms of Article 5 of the Indenture to enter into and consummate the Merger upon compliance with the conditions of said Article 5; and

WHEREAS, in accordance with Section 11.6 of the Indenture, the Company is required to execute with the Trustee a Supplemental Indenture providing that the Notes shall be convertible into the kind and amount of securities, cash or other assets receivable upon the Merger by a holder of the number of Common Shares of the Company into which such Notes might have been converted immediately prior to such Merger;

NOW, THEREFORE, the Company, Casella and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the holders of the Notes:

1. DEFINED TERMS. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture.

2. AMENDMENT TO DEFINITION OF COMMON STOCK. The definition of "Common Stock" in Section 1.1 of the Indenture is hereby amended and restated in its entirety as follows:

"Common Stock" means the Class A Common Stock, $.01 par value per share, of Casella Waste Systems, Inc. and any other capital stock of Casella into which such common stock may be converted or reclassified or that may be issued in respect of, or in exchange for, or in substitution for such common stock by reason of any stock splits, stock dividends, distributions, mergers, consolidations or other like events.

3. ADDITIONAL DEFINITION. The definition of "Casella" is hereby added to Section 1.1 of the Indenture as follows:

"Casella" means Casella Waste Systems, Inc., a Delaware corporation.

4. AMENDMENT TO ARTICLE 11. Article 11 of the Indenture is hereby amended and restated in its entirety as follows:

ARTICLE 11

CONVERSION OF NOTES

SECTION 11.1. RIGHT TO CONVERT.

Subject to and upon compliance with the provisions of this Indenture, the Holder of any Note shall have the right, at the option of such Holder, at any time (except that, with respect to any Note or portion of a Note that shall be called for redemption or delivered for repurchase, such right shall terminate immediately prior to close of business on the date fixed for redemption of such Note or portion of such Note unless the Company shall default in payment due upon redemption thereof) to convert the principal amount of any such Note, or any portion thereof, into that number of fully paid and nonassessable shares of Common Stock (as such shares shall then be constituted) obtained by dividing the aggregate principal amount of the Notes or portion thereof surrendered for conversion by the Conversion Price in effect at such time, by surrender of the Note so to be converted in whole or in part in the manner provided in Section 11.2 hereof. Immediately following such conversion, the rights of the Holders of converted Notes shall cease and the Persons entitled to receive the Common Stock upon the conversion of Notes shall be treated for all purposes as having become the owners of such Common Stock.

SECTION 11.2. EXERCISE OF CONVERSION PRIVILEGE; ISSUANCE OF COMMON STOCK ON CONVERSION; NO ADJUSTMENT FOR INTEREST OR DIVIDENDS.

In order to exercise the conversion privilege with respect to any Note in definitive form, a Holder must (a) surrender such Note to be converted, duly endorsed and in a form satisfactory to the Company, at an office or agency maintained by the Company pursuant to Section 4.2 hereof, accompanied by the funds, if any, required by the penultimate paragraph of this Section 11.2, (b) notify the Company at such office that he elects to convert such Note or a portion thereof, specifying the principal amount he wishes to convert, (c) state in writing the name or names (with address) in which he wishes the certificate or certificates for shares of Common Stock to be issued and (d) pay any transfer taxes, if required pursuant to Section 11.7 hereof. The date on which the Holder satisfies all those requirements is the "Conversion Date." Each such Note surrendered for conversion shall, unless the shares issuable on conversion

are to be issued in the name of the Holder of such Note as it appears on the Note register, be accompanied by

instruments of transfer in form satisfactory to the Company duly executed by the Holder or his duly authorized attorney.

In order to exercise the conversion privilege with respect to any interest in a Global Note, the beneficial Holder must complete the appropriate instruction form for conversion pursuant to the Depositary's book-entry conversion program and follow the other procedures set forth in such program.

As promptly as practicable after the Conversion Date, subject to compliance with any restrictions on transfer if shares issuable on conversion are to be issued in a name other than that of the Holder (as if such transfer were a transfer of the Note or Notes (or portion thereof) so converted), Casella shall issue and shall deliver to such Holder at the office or agency maintained by the Company for such purpose pursuant to Section 4.2 hereof, a certificate or certificates for the number of full shares issuable upon the conversion of such Note or portion thereof in accordance with the provisions of this Article 11 and a payment in cash in respect of any fractional interest in respect of a share of Common Stock arising upon such conversion, as provided in Section 11.3 hereof. In case any Note shall be surrendered for partial conversion, and subject to Section 2.3 hereof, the Company shall execute and the Trustee shall authenticate and make available for delivery to the Holder of the Note so surrendered, without charge to him, a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note.

Each conversion shall be deemed to have been effected as to any Note (or portion thereof) on the Conversion Date, and the Person in whose name any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become on such date the Holder of record of the shares represented thereby; provided that any such surrender on any date when the stock transfer books of Casella shall be closed shall constitute the Person in whose name the certificates are to be issued as the record holder thereof for all purposes on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such Note shall have been surrendered.

The Holder of record of a Note at the close of business on a record date with respect to the payment of interest on the Notes will be entitled to receive such interest with respect to such Notes on the corresponding interest payment date, notwithstanding the conversion of such Notes after such record date and prior to such interest payment date. Notes surrendered for conversion during the period from the close of business on any record date for the payment of interest to the opening of business of the corresponding interest payment date must be accompanied by a payment in cash in an amount equal to the interest payable on such interest payment date, unless such Notes have been called for redemption on a redemption date occurring during the period from the close of business on any record date for the payment of interest to the close of business on the business day immediately following the corresponding interest payment date. The interest payment with respect to any Note called for redemption on a date during the period from the close of business on any record date for the payment of interest to the close of business on the

business day immediately following the corresponding interest payment date will be payable on such interest payment date to the record Holder of such Note on such record date, notwithstanding the conversion of such Note after such record date and prior to such interest payment date. Except as provided in this Section 11.2, no payment or adjustment will be made upon conversion of Notes for accrued and unpaid interest or for dividends with respect to the Common Stock issued upon such conversion of Notes as provided in this Article 11.

Upon the conversion of any interest in a Global Note, the Trustee, or the Note Custodian at the direction of the Trustee, shall make a notation on such Global Note as to the reduction in the principal amount represented thereby.

SECTION 11.3. CASH PAYMENTS IN LIEU OF FRACTIONAL SHARES.

Casella shall not issue a fractional share of Common Stock upon conversion of the Notes. Instead the Casella shall pay a cash adjustment for the current market value of the fractional share. The current market value of a fraction of a share shall be determined as follows: Multiply the current market price of a full share by the fraction. Round the result to the nearest cent. The current market price of a share of Common Stock is the Closing Price of the Common Stock on the last Trading Day prior to the Conversion Date.

SECTION 11.4. CONVERSION PRICE.

The "Conversion Price" shall be $23.04. Casella shall notify the Trustee of any adjustments in the Conversion Price as soon as practicable after determination.

SECTION 11.5. ADJUSTMENT OF CONVERSION PRICE.

The Conversion Price shall be adjusted from time to time by Casella as follows:

(a) In case Casella shall pay or make a dividend or other distribution on any class of capital stock of Casella in Common Stock, the Conversion Price in effect at the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator of which shall be the sum of such number of shares and the total number shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination of the holders entitled to such dividends and distributions. For the purposes of this Section 11.5(a), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of Casella. Casella shall not pay any dividend or make any distribution on shares of Common Stock held in the treasury of Casella.

(b) In case Casella shall issue rights, options or warrants to all holders of its Common Stock entitling them to subscribe for, purchase or acquire shares of Common Stock at a price per share less than the current market price per share of the Common Stock on the date fixed for the determination of shareholders entitled to receive such rights, options or warrants, the Conversion Price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription, purchase or acquisition would purchase at such current market price and the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription, purchase or acquisition, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination of the holders entitled to such right, options or warrants. However, upon the expiration of any right, option or warrant to purchase Common Stock, the issuance of which resulted in an adjustment in the Conversion Price pursuant to this Section 11.5(b), if any such right, option or warrant shall expire and shall not have been exercised, the Conversion Price shall be recomputed immediately upon such expiration and effective immediately upon such expiration shall be increased to the price it would have been (but reflecting any other adjustments to the Conversion Price made pursuant to the provisions of Section 11.5 hereof after the issuance of such rights, options or warrants) had the adjustment of the Conversion Price made upon the issuance of such rights, options or warrants been made on the basis of offering for subscription or purchase only that number of shares of Common Stock actually purchased upon the exercise of such rights, options or warrants. No further adjustment shall be made upon exercise of any right, option or warrant if any

adjustment shall have been made upon the issuance of such security. For the purposes of this Section 11.5(b), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of Casella. Casella shall not issue any rights, options or warrants in respect of shares of Common Stock held in the treasury of Casella.

(c) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be reduced, and, conversely, in case the outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be increased, to equal the product of the Conversion Price in effect on such date and a fraction the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination, as the case may be, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such subdivision or combination, as the case may be. Such reduction or increase, as the case may be, shall become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(d) In case Casella shall, by dividend or otherwise, distribute to all holders of its Common Stock (i) evidences of its indebtedness or (ii) shares of any class of capital stock, cash or other assets (including securities, but excluding (1) any rights, options or warrants referred to in Section 11.5(b) hereof, (2) any dividend or distribution referred to in Section 11.5(a) hereof, and (3) cash dividends paid from Casella's retained earnings unless the sum of (A) all such cash dividends and distributions made within the preceding 12 months in respect of which no adjustment has been made and (B) any cash and the fair market value of other consideration paid in respect of any repurchases of Common Stock by Casella or any of its subsidiaries within the preceding 12 months in respect of which no adjustment has been made, exceeds 20% of Casella's market capitalization (being the product of the then current market price per share of the Common Stock times the aggregate number of shares of Common Stock then outstanding) on the record date for such distribution), then in each case, the Conversion Price in effect at the opening of business on the day following the date fixed for the determination of holders of Common Stock entitled to receive such distribution shall be adjusted by multiplying such Conversion Price by a fraction of which the numerator shall be the current market price per share of the Common Stock on such date of determination (or, if earlier, on the date on which the Common Stock goes "ex-dividend" in respect of such distribution) less the then fair market value as determined by the Board of Directors (whose determination shall be conclusive and shall be described in a statement filed with any conversion agent) of the portion of the capital stock, cash or other assets or evidences of indebtedness so distributed (and for which an adjustment to the Conversion Price has not previously been made pursuant to the terms of this Section 11.5) applicable to one share of Common Stock, and the denominator shall be such current market price per share of the Common Stock, such adjustment to become effective immediately after the opening of business on the day following such date of determination of the holders entitled to such distribution. The following transactions shall be excluded from the foregoing clauses (A) and (B): (x) repurchases of Common Stock issued under Casella's stock incentive programs and (y) dividends or distributions payable-in-kind in additional shares of or warrants, rights, calls or options exercisable for or convertible into additional shares of capital stock of Casella.

(e) The reclassification or change of Common Stock into securities including securities other than Common Stock (other than any reclassification upon a consolidation or merger to which Section 11.6 shall apply) shall be deemed to involve (i) a distribution of such securities other than Common Stock to all holders of Common Stock (and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of holders of Common Stock entitled to receive such distribution" within the meaning of Section 11.5(d) hereof), and (ii) a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective" or "the day

upon which such combination becomes effective," as the case may be, and "the day upon which such subdivision or combination becomes effective" within the meaning of Section 11.5(c) hereof).

(f) Casella from time to time may reduce the Conversion Price if it considers such reductions to be advisable in order that any event treated for federal income tax purposes as a dividend of stock rights will not be taxable to the holders of Common Stock by any amount, but in no event may the Conversion Price be less than the par value of a share of Common Stock. Whenever the Conversion Price is reduced, the Company shall mail to Holders of record of Notes a notice of the reduction. The Company shall mail the notice at least 15 days before the date the reduced Conversion Price takes effect. The notice shall state the reduced Conversion Price and the period it will be in effect. A reduction of the Conversion Price does not change or adjust the Conversion Price otherwise in effect for purposes of Sections 11.5(a), (b), (c), (d) and (e) hereof.

(g) No adjustment in the Conversion Price need be made until all cumulative adjustments amount to at least 1% in the Conversion Price, as last adjusted; provided that any adjustments that by reason of this Section 11.5(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article 11 shall be made by the Company and shall be made to the nearest cent.

(h) For the purpose of any computation under Section 11.5, the current market price per share of Common Stock on any day shall be deemed to be the average of the Closing Prices of the Common Stock for the 20 consecutive Trading Days selected by the board of directors of Casella, commencing no more than 30 Trading Days before and ending no later than the day before the day in question; provided that, in the case of Section 11.5(d) hereof, if the period between the date of the public announcement of the dividend or distribution and the date for the determination of holders of Common Stock entitled to receive such dividend or distribution (or, if earlier, the date on which the Common Stock goes "ex-dividend" in respect of such dividend or distribution) shall be less than 20 Trading Days, the period shall be such lesser number of Trading Days but, in any event, not less than five Trading Days.

(i) No adjustment in the Conversion Price shall reduce the Conversion Price below the then par value of the Common Stock. No adjustment in the Conversion Price need be made under Section 11.5(a), (b) or (d) hereof if the Company or Casella issues or distributes to each Holder of Notes the shares of Common Stock, evidences of indebtedness, assets, rights, options or warrants referred to in those paragraphs which each Holder would have been entitled to receive had Notes been converted into Common Stock prior to the happening of such event or the record date with respect thereto.

(j) Whenever the Conversion Price is adjusted as herein provided, Casella shall promptly file with the Trustee and any conversion agent other than the Trustee an Officers' Certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the fact requiring such adjustment. Promptly after delivery of such certificate, Casella shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which each adjustment became effective and shall

mail such notice of such adjustment of the Conversion Price to each Holder of Notes at his last address appearing on the Note register provided for in Section 2.5 hereof, within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(k) In any case in which this Section 11.5 shall require that an adjustment as a result of any event become effective from and after a record date, Casella may elect to defer until after the occurrence of such event (i) the issuance to the Holder of any Notes converted after such record date and

before the occurrence of such event of the additional shares of Common Stock issuable upon such conversion over and above the shares issuable on the basis of the Conversion Price in effect immediately prior to adjustment and (ii) a cash payment for any remaining fractional shares of Common Stock as provided in Section 11.3 hereof; provided, however, that if such event shall not have occurred and authorization of such event shall be rescinded by Casella, the Conversion Price shall be recomputed immediately upon such recission to the price that would have been in effect had such event not been authorized, provided that such recission is permitted by and effective under applicable laws.

SECTION 11.6. EFFECT OF RECLASSIFICATION, CONSOLIDATION, MERGER OR SALE.

In the case of any consolidation of Casella or the merger of Casella with or into any other entity or the sale or transfer of all or substantially all the assets of Casella pursuant to which Casella's Common Stock is converted into other securities, cash or assets, Casella or the successor or purchasing corporation, as the case may be, and the Company shall execute with the Trustee a supplemental indenture providing that the Notes shall be convertible into the kind and amount of securities, cash or other assets receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock into which such Notes might have been converted immediately prior to such consolidation, merger, transfer or sale (assuming such holder of Common Stock failed to exercise any rights of election and received per share the kind and amount receivable per share by a plurality of non-electing shares). Such supplemental indenture shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 11.

The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder of Notes within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

The above provisions of this Section 11.6 shall similarly apply to successive reclassifications, changes, consolidations, mergers, combinations, sales and conveyances.

SECTION 11.7. TAXES ON SHARES ISSUED.

If a Holder converts Notes, Casella shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon the conversion. However, the

Holder shall pay any such tax that is due because the shares are issued in a name other than the Holder's name.

SECTION 11.8. RESERVATION OF SHARES; SHARES TO BE FULLY PAID; LISTING OF COMMON STOCK.

Casella has reserved and shall continue to reserve out of its authorized but unissued Common Stock or its Common Stock held in treasury enough shares of Common Stock to permit the conversion of the Notes in full. All shares of Common Stock that may be issued upon conversion of Notes shall be fully paid and nonassessable. Casella shall endeavor to comply with all securities laws regulating the offer and delivery of shares of Common Stock upon conversion of Notes and shall endeavor to list such shares on each national securities exchange on which the Common Stock is listed.

SECTION 11.9. COMMON STOCK ISSUABLE UPON CONVERSION.

For purposes of this Article 11, "Common Stock" includes any stock of any class of Casella which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of Casella and which is not subject to redemption by Casella. However, subject to the provisions of Section 11.5(b) hereof, shares issuable on conversion of Notes shall include only shares of the class designated as Class A Common Stock of Casella or shares of any class or classes resulting from any reclassification thereof and which have no preferences in

respect of dividends or amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of Casella and which are not subject to redemption by Casella, provided that, if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

SECTION 11.10. RESPONSIBILITY OF TRUSTEE.

The Trustee and any other conversion agent shall not at any time be under any duty or responsibility to any Holder of Notes to make a determination whether any facts exist that may require any adjustment of the Conversion Price, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other conversion agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or property, that may at any time be issued or delivered upon the conversion of any Note; and the Trustee and any other conversion agent make no representations with respect thereto. Subject to the provisions of Section 7.1 hereof, neither the Trustee nor any conversion agent shall be responsible for any failure of Casella or the Company to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property or cash upon the surrender of

any Note for the purpose of conversion or to comply with any of the duties, responsibilities or covenants of Casella or the Company contained in this Article 11. Without limiting the generality of the foregoing, neither the Trustee nor any conversion agent shall be under any responsibility to determine whether a supplemental indenture under Section 11.6 hereof is required to be entered into or the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 11.6 relating either to the amount of shares receivable by Holders upon the conversion of their Notes after any event referred to in Section 11.6 hereof or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 7.1 hereof, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

SECTION 11.11. NOTICE TO HOLDERS PRIOR TO CERTAIN ACTIONS.

In case (a) Casella makes any distribution or dividend that would require an adjustment in the Conversion Price pursuant to Section 11.5 hereof, (b) Casella takes any action that would require a supplemental indenture pursuant to Section 11.6 hereof or (c) of the voluntary or involuntary dissolution, liquidation or winding-up of Casella, Casella shall cause to be filed with the Trustee and to be mailed to each Holder of Notes as promptly as possible but in any event at least 15 days prior to the applicable date hereinafter specified, a notice stating (i) the date on which a record date is to be taken for the purpose of such dividend, distribution, rights, options or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights, options or warrants are to be determined or (ii) the date on which such reclassification, change, consolidation, merger, sale, conveyance, transfer, dissolution, liquidation or winding-up is expected to become effective or occur and the date as of which it is expected that holders of record of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, change, consolidation, merger, sale, conveyance, transfer, dissolution, liquidation or winding-up. Neither the failure to give such notice nor any defect therein shall affect the legality or validity of the proceedings referenced in clauses (a) through (c) of this Section 11.11.

5. AMENDMENT TO SECTION 4.7. Section 4.7 of the Indenture is amended by adding as the last sentence thereof the following:

> "Except in connection with a consolidation, merger or sale of assets with respect to which Casella has complied, to the

extent required thereby, with Section 11.6, Casella shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence."

6. AMENDMENT TO SECTION 6.1(D). Section 6.1(d) of the Indenture is hereby amended and restated in its entirety as follows:

"(d) the Company or Casella fails to observe or perform any other

covenant, representation, warranty or other agreement in this Indenture or the Notes for 60 days after notice to the Company by the Trustee or
the Holders of at least 25% in principal amount of the Notes then outstanding of such failure;"

7. AMENDMENT TO SECTION 6.1(E). Section 6.1(e) of the Indenture is hereby amended and restated in its entirety as follows:

"(e) the Company or Casella pursuant to or within the meaning of Bankruptcy Law:

(i) commences a voluntary case,

(ii) consents to the entry of an order for relief against it in an involuntary case,

(iii) consents to the appointment of a custodian of it or for all or substantially all of its property, or

(iv) makes a general assignment for the benefit of its creditors."

8. AMENDMENT TO SECTION 6.1(F). Section 6.1(f) of the Indenture is hereby amended and restated in its entirety as follows:

"(f) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company or Casella in an involuntary case;

(ii) appoints a custodian of the Company or Casella for all or substantially all of the property of the Company or Casella, as the case may be; or

(iii) orders the liquidation of the Company or Casella; and the order or decree remains unstayed and in effect for 60 consecutive days."

9. AMENDMENT TO SECTION 12.2. Section 12.2 of the Indenture is hereby amended by adding to the end of the first paragraph thereof the following:

If to Casella:

Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, Vermont
Telecopier: (802) 775-6198
Attention: Chief Financial Officer

With a copy to:

Hale and Dorr LLP
60 State Street
Boston, MA 02109
Telecopier: (617) 526-6730
Attention: Jeffrey Stein, Esq.

10. DELIVERY OF DOCUMENTS. Together with this Supplemental Indenture, the Company has delivered the following:

a. OFFICERS' CERTIFICATE. An Officers' Certificate in the form attached as EXHIBIT A .

b. OPINION OF COUNSEL. An Opinion of Counsel in the form attached as EXHIBIT B.

11. EFFECT OF SUPPLEMENTAL INDENTURE. Except as provided in Sections 2 through 9 hereof, all of the terms, conditions and provisions of the Indenture shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be executed as of the day and year first above written.

KTI, INC.

Attest:

_____(Seal) By:_____
Name:
Its:

CASELLA WASTE SYSTEMS, INC.

Attest:

_____(Seal) By:_____
Name:
Its:

SUNTRUST BANK, CENTRAL FLORIDA,
NATIONAL ASSOCIATION, as Trustee

Attest:

_____(Seal) By:_____
Name:
Its: