UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2004

OR

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

For the transition period from to

Commission file number 000-23211

CASELLA WASTE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of November 30, 2004:

Class A Common Stock	23,729,388
Class B Common Stock	988,200

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

ASSETS	April 30, 2004	October 31, 2004
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,007	$ 4,772
Restricted cash	12,419	12,475
Accounts receivable—trade, net of allowance for doubtful accounts of $583 and $718	49,462	54,382
Notes receivable—officers/employees	1,105	1,005
Refundable income taxes	623	—
Prepaid expenses	4,164	5,717
Inventory	1,848	2,045
Deferred income taxes	4,328	5,501
Other current assets	854	968
Total current assets	82,810	86,865
Property, plant and equipment, net of accumulated depreciation and amortization of $268,019 and $299,302	372,038	402,437
Goodwill	157,230	159,370
Intangible assets, net	3,578	3,245
Deferred income taxes	5,631	104
Investments in unconsolidated entities	37,914	37,590
Net assets under contractual obligation	2,148	1,489
Other non-current assets	14,928	15,191
	593,467	619,426
	$ 676,277	$ 706,291

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

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

LIABILITIES AND STOCKHOLDERS ' EQUITY	April 30, 2004	October 31, 2004
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 5,542	$ 4,527
Current maturities of capital lease obligations	602	695
Accounts payable	40,034	40,127
Accrued payroll and related expenses	7,425	6,184
Accrued interest	6,024	5,805
Accrued capping, closure and post-closure costs, current portion	2,471	5,576
Other accrued liabilities	25,273	27,737
Total current liabilities	87,371	90,651
Long-term debt, less current maturities	349,163	372,013
Capital lease obligations, less current maturities	1,367	1,797
Accrued capping, closure and post-closure costs, less current maturities	22,752	20,393
Other long-term liabilities	18,493	17,588
COMMITMENTS AND CONTINGENCIES		
Series A redeemable, convertible preferred stock, 55,750 and 53,750 shares authorized, issued and outstanding as of April 30, 2004 and October 31, 2004, respectively, liquidation preference of $1,000 per share plus accrued but unpaid dividends	67,076	66,297
STOCKHOLDERS' EQUITY:		
Class A common stock -		
Authorized - 100,000,000 shares, $0.01 par value; issued and outstanding - 23,496,000 and 23,707,000 shares as of April 30, 2004 and October 31, 2004, respectively	235	237
Class B Common Stock -		
Authorized - 1,000,000 shares, $0.01 par value, 10 votes per share, issued and outstanding - 988,000 shares	10	10
Accumulated other comprehensive income	408	441
Additional paid-in capital	272,993	274,218
Accumulated deficit	(143,591)	(137,354)
Total stockholders' equity	130,055	137,552
	$ 676,277	$ 706,291

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

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

	Three Months Ended October 31,		Six Months Ended October 31,	
	2003	2004	2003	2004
Revenues	$ 111,548	$ 126,381	$ 224,996	$ 250,053
Operating expenses:				
Cost of operations	71,641	79,385	145,647	157,663
General and administration	14,786	16,370	29,157	31,885
Depreciation and amortization	14,952	17,575	29,704	34,798
Deferred costs	—	295	—	295
	101,379	113,625	204,508	224,641
Operating income	10,169	12,756	20,488	25,412
Other expense/(income), net:				
Interest income	(87)	(112)	(139)	(170)
Interest expense	6,020	7,352	12,258	14,497
Income from equity method investments	(863)	(994)	(898)	(927)
Other expense/(income)	(221)	220	(380)	751
Other expense, net	4,849	6,466	10,841	14,151
Income from continuing operations before income taxes, discontinued operations and cumulative effect of change in accounting principle	5,320	6,290	9,647	11,261
Provision (benefit) for income taxes	(384)	2,805	478	5,014
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	5,704	3,485	9,169	6,247
Discontinued Operations:				
Income (loss) from discontinued operations (net of income tax (provision) benefit of $5, ($40), $0 and ($96))	(10)	59	(4)	140
Loss on disposal of discontinued operations (net of income taxes of $645)	—	(150)	—	(150)
Cumulative effect of change in accounting principle (net of income taxes of $1,856)	—	—	2,723	—
Net income	5,694	3,394	11,888	6,237
Preferred stock dividend	808	832	1,606	1,670
Net income available to common stockholders	$ 4,886	$ 2,562	$ 10,282	$ 4,567

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

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

	Three Months Ended October 31,		Six Months Ended October 31,	
	2003	2004	2003	2004
Earnings Per Share:				
Basic:				
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle available to common stockholders	$ 0.20	$ 0.11	$ 0.32	$ 0.19
Income (loss) from discontinued operations, net	—	—	—	0.01
Loss on disposal of discontinued operations, net	—	(0.01)	—	(0.01)
Cumulative effect of change in accounting principle, net	—	—	0.11	—
Net income per common share available to common stockholders	$ 0.20	$ 0.10	$ 0.43	$ 0.19
Basic weighted average common shares outstanding	23,933	24,614	23,848	24,553
Diluted:				
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle available to common stockholders	$ 0.20	$ 0.11	$ 0.31	$ 0.18
Income (loss) from discontinued operations, net	—	—	—	0.01
Loss on disposal of discontinued operations, net	—	(0.01)	—	(0.01)
Cumulative effect of change in accounting principle, net	—	—	0.11	—
Net income per common share available to common stockholders	$ 0.20	$ 0.10	$ 0.42	$ 0.18
Diluted weighted average common shares outstanding	29,159	25,003	24,252	25,040

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

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

	Six Months Ended October 31, 2003	Six Months Ended October 31, 2004
Cash Flows from Operating Activities:		
Net income	$ 11,888	$ 6,237
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	29,704	34,798
Depletion of landfill operating lease obligations	—	2,588
Loss on disposal of discontinued operations	—	150
Cumulative effect of change in accounting principle, net	(2,723)	—
Income from equity method investments	(898)	(927)
Deferred costs	—	295
Loss (gain) on sale of equipment	(189)	113
Deferred income taxes	296	3,701
Changes in assets and liabilities, net of effects of acquisitions and divestitures		
Accounts receivable	(6,001)	(5,112)
Accounts payable	(2,193)	93
Other assets and liabilities	(6,864)	(6,090)
	11,132	29,609
Net Cash Provided by Operating Activities	23,020	35,846
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	(6,098)	(5,040)
Additions to property, plant and equipment	(28,683)	(42,433)
Payments on landfill operating lease contracts	—	(17,326)
Proceeds from divestitures	—	3,050
Proceeds from sale of equipment	279	887
Advances to unconsolidated entities	(1,348)	—
Proceeds from assets under contractual obligation	354	659
Net Cash Used In Investing Activities	(35,496)	(60,203)
Cash Flows from Financing Activities:		
Proceeds from long-term borrowings	60,950	83,950
Principal payments on long-term debt	(62,569)	(63,052)
Proceeds from exercise of stock options	2,037	224
Net Cash Provided by Financing Activities	418	21,122
Net decrease in cash and cash equivalents	(12,058)	(3,235)
Cash and cash equivalents, beginning of period	15,652	8,007
Cash and cash equivalents, end of period	$ 3,594	$ 4,772

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

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

	Six Months Ended October 31, 2003	Six Months Ended October 31, 2004
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for—		
Interest	$ 11,834	$ 13,940
Income taxes, net of refunds	$ 568	$ 709
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Summary of entities acquired in purchase business combinations—		
Fair value of assets acquired	$ 6,284	$ 5,698
Cash paid, net	(6,098)	(5,040)
Liabilities assumed and notes payable to seller	$ 186	$ 658

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In thousands, except for per share data)

1. ORGANIZATION

The consolidated balance sheets of Casella Waste Systems, Inc. (the "Parent") and Subsidiaries (the "Company") as of April 30, 2004 and October 31, 2004, the consolidated statements of operations for the three and six months ended October 31, 2003 and 2004 and the consolidated statements of cash flows for the six months ended October 31, 2003 and 2004 are unaudited. In the opinion of management, such financial statements include all adjustments (which include normal recurring and nonrecurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The consolidated financial statements presented herein should be read in connection with the Company's audited consolidated financial statements as of and for the twelve months ended April 30, 2004. These were included as part of the Company's Annual Report on Form 10-K for the year ended April 30, 2004 (the "Annual Report"). The results for the three and six months ended October 31, 2004 may not be indicative of the results that may be expected for the fiscal year ending April 30, 2005.

2. RECLASSIFICATIONS

The Company divested the assets of Data Destruction Services, Inc. (Data Destruction) during the quarter ended October 31, 2004. The transaction required discontinued operations treatment under SFAS No. 144, therefore the operating results of Data Destruction have been reclassified from continuing to discontinued operations for the three and six months ended October 31, 2003.

3. BUSINESS COMBINATIONS

During the six months ended October 31, 2004, the Company acquired six solid waste hauling operations in transactions accounted for as purchases. These transactions were in exchange for consideration of $5,540 in cash and other consideration to the sellers. The Company completed four such acquisitions during the six months ended October 31, 2003. The operating results of these businesses are included in the consolidated statements of operations from the dates of acquisition. The purchase prices have been allocated to the net assets acquired based on their fair values at the dates of acquisition with the residual amounts allocated to goodwill. Management does not believe the final purchase price allocation will produce materially different results than reflected herein.

The following unaudited pro forma combined information shows the results of the Company's operations as though each of the acquisitions made in the six months ended October 31, 2003 and 2004 had been completed as of May 1, 2003.

	Three Months Ended October 31,		Six Months Ended October 31,	
	2003	2004	2003	2004
Revenue	$ 112,898	$ 126,594	$ 227,976	$ 250,825
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	5,846	3,507	9,485	6,325
Net income	5,836	3,416	12,204	6,315
Diluted net income per common share	$ 0.20	$ 0.10	$ 0.44	$ 0.19

The foregoing pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the acquisitions taken place as of May 1, 2003 or the results of future operations of the Company. Furthermore, such pro forma results do not give effect to all cost savings or incremental costs that may occur as a result of the integration and consolidation of the completed acquisitions.

4. GOODWILL AND INTANGIBLE ASSETS

The following table shows the activity and balances related to goodwill from April 30, 2004 through October 31, 2004:

Balance , April 30, 2004	$ 157,230
Acquisitions	3,962
Divestitures	(1,822)
Balance, October 31, 2004	$ 159,370

Intangible assets at April 30, 2004 and October 31, 2004 consist of the following:

	Covenants not to compete	Customer lists	Total
April 30, 2004			
Intangible assets	$ 16,402	$ 688	$ 17,090
Less accumulated amortization	(12,995)	(517)	(13,512)
	$ 3,407	$ 171	$ 3,578
October 31, 2004			
Intangible assets	$ 16,759	$ 688	$ 17,447
Less accumulated amortization	(13,640)	(562)	(14,202)
	$ 3,119	$ 126	$ 3,245

Amortization expense for the three and six months ended October 31, 2004 was $385 and $786. The intangible amortization expense estimated as of October 31, 2004, for the five years following 2004 is as follows:

2005	2006	2007	2008	2009
$ 1,490	$ 1,176	$ 633	$ 361	$ 178

5. ADOPTION OF NEW ACCOUNTING STANDARDS

FASB Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities, an Interpretation of APB No. 51* was issued by the FASB in December 2003. In January 2003, the FASB issued FIN 46, which requires variable interest entities to be consolidated by their primary beneficiaries. A primary beneficiary is the party that absorbs a majority of the entity's expected losses or receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. In December 2003, the FASB revised FIN 46 to provide companies with clarification of key terms, additional exemptions for application and an extended initial application period. FIN 46 is currently effective for all variable interest entities created or modified after January 31, 2003 and special purpose entities created on or before January 31, 2003. The FASB's December 2003 revision to FIN 46 makes the Interpretation effective for all other variable interest entities beginning March 31, 2004. The adoption of FIN 46 had no impact on the Company's consolidated financial statements.

SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liability and Equity* was issued by the FASB in May 2003. The statement changes the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that those instruments be classified as liabilities in statements of financial position. SFAS No. 150 is effective for all financial instruments entered into or modified after June 14, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. We adopted SFAS No. 150 effective August 1, 2003. In November 2003, a FASB Staff Position was issued delaying the effective date for certain instruments and entities. SFAS No. 150 had no impact on the Company's consolidated financial statements.

6. LEGAL PROCEEDINGS

In the normal course of its business and as a result of the extensive governmental regulation of the waste industry, the Company may periodically become subject to various judicial and administrative proceedings involving Federal, state or local agencies. In these proceedings, an agency may seek to impose fines on the Company or to revoke, or to deny renewal of, an operating permit held by the Company. In addition, the Company may become party to various claims and suits for alleged damages to persons and property, alleged violation of certain laws and for alleged liabilities arising out of matters occurring during the normal operation of the waste management business.

During the period of November 21, 1996 to October 9, 1997, the Company performed certain closure activities and installed a cut-off wall at the Clinton County landfill, located in Clinton County, New York. On or about April 1999, the New York State Department of Labor alleged that the Company should have paid prevailing wages in connection with the labor associated with such activities. The Company has disputed the allegations and a hearing on the liability issue was held on September 16, 2002. In November 2002, both sides submitted proposed findings of fact and conclusions of law. On May 12, 2004, the Commissioner of Labor issued an order finding that the closure activities and the cut-off wall project were "public works" projects that were subject to prevailing wage requirements. On June 10, 2004 the Company filed a Judicial challenge to the Commissioner's decision, which has been stayed for a 9-month period during which time the Company will continue to explore settlement possibilities with the State in lieu of a hearing on damages, which is not yet scheduled. Although a loss as a result of these claims is probable, the Company cannot estimate a range of probable losses at this time. A charge incurred by the Company related to these claims will not have an immediate impact on operations but will be capitalized as part of the related landfill asset and amortized over the life of the landfill as tons are placed at the site.

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

7. ENVIRONMENTAL LIABILITIES

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

8. EARNINGS PER SHARE

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

	Three Months Ended October 31,		Six Months Ended October 31,	
	2003	2004	2003	2004
Numerator:				
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	$ 5,704	$ 3,485	$ 9,169	$ 6,247
Less: Preferred stock dividends	(808)	(832)	(1,606)	(1,670)
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle available to common stockholders—Basic	4,896	2,653	7,563	4,577
Plus: Preferred stock dividends	808	—	—	—
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle available to common stockholders—Diluted	$ 5,704	$ 2,653	$ 7,563	$ 4,577
Denominator:				
Number of shares outstanding, end of period:				
Class A common stock	23,032	23,707	23,032	23,707
Class B common stock	988	988	988	988
Effect of weighted average shares outstanding during period	(87)	(81)	(172)	(142)
Weighted average number of common shares used in basic EPS	23,933	24,614	23,848	24,553
Impact of potentially dilutive securities:				
Dilutive effect of options, convertible preferred stock and contingent stock	5,226	389	404	487
Weighted average number of common shares used in diluted EPS	29,159	25,003	24,252	25,040

For the three and six months ended October 31, 2003, 2,065 and 7,070 common stock equivalents related to options and redeemable convertible preferred stock, respectively, were excluded from the calculation of dilutive shares since the inclusion of such shares would be anti-dilutive.

For the three and six months ended October 31, 2004, 6,951 and 6,456 common stock equivalents related to options and redeemable convertible preferred stock, respectively, were excluded from the calculation of dilutive shares since the inclusion of such shares would be anti-dilutive.

9. COMPREHENSIVE INCOME

Comprehensive income is defined as the change in net assets of a business enterprise during a period from transactions generated from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Accumulated other comprehensive income included in the accompanying balance sheets consists of changes in the fair value of the Company's interest rate swap and commodity hedge agreements as well as the cumulative effect of the change in accounting principle due to the adoption of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended. Comprehensive income for the three and six months ended October 31, 2003 and 2004 is as follows:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2003	2004	2003	2004
Net income	$ 5,694	$ 3,394	$ 11,888	$ 6,237
Other comprehensive income (loss)	274	(76)	465	33
Comprehensive income	$ 5,968	$ 3,318	$ 12,353	$ 6,270

The components of other comprehensive income for the three and six months ended October 31, 2003 and

2004 are shown as follows:

	Three Months Ended					
	October 31, 2003			October 31, 2004		
	Gross	Tax effect	Net of Tax	Gross	Tax effect	Net of Tax
Change in fair value of interest rate swaps and commodity hedges during period	$ 460	$ 186	$ 274	$ (130)	$ (54)	$ (76)

	Six Months Ended					
	October 31, 2003			October 31, 2004		
	Gross	Tax effect	Net of Tax	Gross	Tax effect	Net of Tax
Change in fair value of interest rate swaps and commodity hedges during period	$ 782	$ 317	$ 465	$ 57	$ 24	$ 33

10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company's strategy to hedge against fluctuations in the commodity prices of recycled paper is to enter into hedges to mitigate the variability in cash flows generated from the sales of recycled paper at floating prices, resulting in a fixed price being received from these sales. The Company is party to twenty-five commodity hedge contracts as of October 31, 2004. These contracts expire between April 2005 and October 2006. The Company has evaluated these hedges and believes that these instruments qualify for hedge accounting pursuant to SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended. As of October 31, 2004 the fair value of these hedges was an obligation of $1,331, with the net amount (net of taxes of $526) recorded as an unrealized loss in accumulated other comprehensive income.

The Company is party to two interest swap agreements as of October 31, 2004 for an aggregate notional amount of $53,000 expiring in February 2006. The Company has evaluated these swaps and believes these instruments qualify for hedge accounting pursuant to SFAS No. 133. As of October 31, 2004, the fair value of these swaps was $97, with the net amount (net of taxes of $37) recorded as an unrealized gain in other comprehensive income. The estimated net amount of the existing gains as of October 31, 2004 included in accumulated other comprehensive income expected to be reclassified into earnings as payments are either made or received under the terms of the interest rate swaps within the next 12 months is approximately $73. The actual amounts reclassified into earnings are dependent on future movements in interest rates.

11. STOCK BASED COMPENSATION PLANS

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

During fiscal 1996, the FASB issued SFAS No. 123, *Accounting for Stock-Based Compensation*, which defines a fair value based method of accounting for stock-based employee compensation and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an entity to continue to measure compensation costs for those plans using the intrinsic method of accounting prescribed by APB Opinion No. 25. Entities electing to remain with the accounting in APB Opinion No. 25 must make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting defined in SFAS No. 123 had been applied. In addition, the Company has adopted the disclosure requirements of SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure.*

In accordance with SFAS No. 123 and SFAS No. 148, the Company has computed, for pro forma disclosure purposes, the value as of the grant date of all options granted using the Black-Scholes option pricing model as prescribed by SFAS No. 123, using the following weighted average assumptions for grants in the six months ended October 31, 2003 and 2004.

	Six Months Ended October 31, 2003	Six Months Ended October 31, 2004
Risk free interest rate	2.34 - 3.23%	3.39 - 3.97%
Expected dividend yield	N/A	N/A
Expected life	5 Years	5 Years
Expected volatility	45.88%	45.88%

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

	Three Months Ended October 31,		Six Months Ended October 31,	
	2003	2004	2003	2004
Net income available to common stockholders, as reported	$ 4,886	$ 2,562	$ 10,282	$ 4,567
Deduct: Total stock-based compensation expense determined under fair value based method, net of income taxes	443	461	574	837
Net income available to common stockholders , pro forma	$ 4,443	$ 2,101	$ 9,708	$ 3,730
Basic income per common share:				
As reported	$ 0.20	$ 0.10	$ 0.43	$ 0.19
Pro forma	$ 0.19	$ 0.09	$ 0.41	$ 0.15
Diluted income per common share:				
As reported	$ 0.20	$ 0.10	$ 0.42	$ 0.18
Pro forma	$ 0.18	$ 0.08	$ 0.40	$ 0.15

12. SEGMENT REPORTING

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

The Company classifies its operations into Eastern, Central, Western and FCR Recycling. The Company's revenues in the Eastern, Central and Western segments are derived mainly from one industry segment, which includes the collection, transfer, recycling and disposal of non-hazardous solid waste. The Eastern Region also includes Maine Energy, which generates electricity from non-hazardous solid waste. The Company's revenues in the FCR Recycling segment are derived from integrated waste handling services, including processing and recycling of wood, paper, metals, aluminum, plastics and glass and brokerage of recycled materials. In June 2003 the Company transferred its domestic brokerage operation and a commercial recycling business to former employees who had managed those businesses. Included in Other are ancillary operations, mainly major customer accounts and earnings from equity method investees.

Three Months Ended October 31, 2003	Eastern Region	Central Region	Western Region	Recycling	Other
Outside Revenues	$ 43,856	$ 26,878	$ 18,822	$ 17,549	$ 4,443
Inter-segment Revenues	13,333	13,149	4,233	114	—
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	(1,152)	5,504	451	663	237
Total Assets	$ 242,037	$ 115,131	$ 111,542	$ 65,956	$ 72,571

Three Months Ended October 31, 2003	Eliminations	Total
Outside Revenues	$ —	$ 111,548
Inter-segment Revenues	(30,829)	—
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	—	5,703
Total Assets	$ —	$ 607,237

Three Months Ended October 31, 2004	Eastern Region	Central Region	Western Region	Recycling	Other
Outside Revenues	$ 48,404	$ 29,143	$ 24,703	$ 20,246	$ 3,885
Inter-segment Revenues	14,200	14,423	5,411	120	—
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	(3,648)	5,847	1,733	2,650	(3,097)
Total Assets	$ 308,701	$ 122,213	$ 146,976	$ 55,112	$ 73,289

Three Months Ended October 31, 2004	Eliminations	Total
Outside Revenues	$ —	$ 126,381
Inter-segment Revenues	(34,154)	—
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	—	3,485
Total Assets	$ —	$ 706,291

Six Months Ended October 31, 2003	Eastern Region	Central Region	Western Region	Recycling	Other
Outside Revenues	$ 87,513	$ 52,847	$ 39,427	$ 36,598	$ 8,611
Inter-segment Revenues	26,565	25,700	7,603	902	2,394
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	(2,521)	10,946	1,432	955	(1,643)
Total Assets	$ 242,037	$ 115,131	$ 111,542	$ 65,956	$ 72,571

Six Months Ended October 31, 2003	Eliminations	Total
Outside Revenues	$ —	$ 224,996
Inter-segment Revenues	(63,164)	—
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	—	9,169
Total Assets	$ —	$ 607,237

Six Months Ended October 31, 2004	Eastern Region	Central Region	Western Region	Recycling	Other
Outside Revenues	$ 95,700	$ 57,835	$ 48,682	$ 39,845	$ 7,991
Inter-segment Revenues	29,522	28,659	10,871	258	—
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	(7,883)	12,199	3,664	4,685	(6,418)
Total Assets	$ 308,701	$ 122,213	$ 146,976	$ 55,112	$ 73,289

Six Months Ended October 31, 2004	Eliminations	Total
Outside Revenues	$ —	$ 250,053
Inter-segment Revenues	(69,310)	—
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	—	6,247
Total Assets	$ —	$ 706,291

Amounts of the Company's total revenue attributable to services provided are as follows:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2003	2004	2003	2004
Collection	$ 55,286	$ 58,765	$ 110,838	$ 117,287
Landfill/disposal facilities	17,549	22,091	35,376	42,525
Transfer	14,413	14,911	28,660	29,675
Recycling	24,300	30,614	46,827	60,566
Brokerage	—	—	3,295	—
Total revenues	$ 111,548	$ 126,381	$ 224,996	$ 250,053

13. NET ASSETS UNDER CONTRACTUAL OBLIGATION

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

The Company has not accounted for this transaction as a sale based on an assessment that the risks and other incidents of ownership have not sufficiently transferred to the buyer. The net assets of the operations are disclosed in the balance sheet as "net assets under contractual obligation", and are being reduced as payments are made.

Net assets under contractual obligations amounted to $2,148 and $1,489 at April 30, 2004 and October 31, 2004, respectively.

14. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The Company's senior subordinated notes due 2013 are guaranteed jointly and severally, fully and unconditionally by the Company's significant wholly-owned subsidiaries. The Parent is the issuer and non-guarantor of the senior subordinated notes. The information which follows presents the condensed consolidating financial position as of April 30, 2004 and October 31, 2004, and the condensed consolidating results of operations for the three and six months ended October 31, 2003 and 2004 and the condensed consolidating statements of cash flows for the six months ended October 31, 2003 and 2004 of (a) the parent company only ("the Parent"), (b) the combined guarantors ("the Guarantors"), each of which is 100% wholly-owned by the Parent, (c) the combined non-guarantors ("the Non-Guarantors"), (d) eliminating entries and (e) the Company on a consolidated basis.

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF APRIL 30, 2004
(In thousands)

	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 1,794	$ 5,815	$ 398	$ —	$ 8,007
Accounts receivable—trade, net of allowance for doubtful accounts	83	48,096	1,283	—	49,462
Prepaid expenses	1,504	3,457	—	(797)	4,164
Other current assets	5,436	2,494	13,247	—	21,177
Total current assets	8,817	59,862	14,928	(797)	82,810
Property, plant and equipment, net of accumulated depreciation and amortization	2,764	367,589	1,685	—	372,038
Intangible assets, net	—	157,230	—	—	157,230
Deferred income taxes	5,631	—	—	—	5,631
Investment in subsidiaries	(35,115)	—	—	35,115	—
Investments in unconsolidated entities	13,105	29,188	—	(4,379)	37,914
Assets under contractual obligation	—	2,148	—	—	2,148
Other non-current assets	11,849	6,537	120	—	18,506
	(1,766)	562,692	1,805	30,736	593,467
Intercompany receivable	559,165	(561,476)	(2,069)	4,380	—
	$ 566,216	$ 61,078	$ 14,664	$ 34,319	$ 676,277

	Parent	Guarantors	Non - Guarantors	Elimination	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Current maturities of long term debt	$ 1,500	$ 1,942	$ 2,100	$ —	$ 5,542
Accounts payable	1,780	37,516	738	—	40,034
Accrued interest	6,022	2	—	—	6,024
Accrued closure and post-closure costs, current portion	—	1,928	543	—	2,471
Other current liabilities	4,787	18,354	10,956	(797)	33,300
Total current liabilities	14,089	59,742	14,337	(797)	87,371
Long-term debt, less current maturities	347,957	1,206	—	—	349,163
Capital lease obligations, less current maturities	—	1,367	—	—	1,367
Accrued closure and post closure costs, less current portion	—	21,453	1,299	—	22,752
Other long-term liabilities	7,039	10,040	1,414	—	18,493
COMMITMENTS AND CONTINGENCIES					
Series A redeemable, convertible preferred stock, 55,750 shares authorized, issued and outstanding, liquidation preference of $1,000 per share plus accrued but unpaid dividends	67,076	—	—	—	67,076
STOCKHOLDERS' EQUITY:					
Class A common stock—					
Authorized—100,000,000 shares, $0.01 par value; issued and outstanding—23,496,000 shares	235	101	100	(201)	235
Class B common stock—					
Authorized—1,000,000 shares, $0.01 par value, 10 votes per share, issued and outstanding—988,000 shares	10	—	—	—	10
Accumulated other comprehensive income	408	1,933	—	(1,933)	408
Additional paid-in capital	272,993	48,270	2,595	(50,865)	272,993
Accumulated deficit	(143,591)	(83,034)	(5,081)	88,115	(143,591)
Total stockholders' equity	130,055	(32,730)	(2,386)	35,116	130,055
	$ 566,216	$ 61,078	$ 14,664	$ 34,319	$ 676,277

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF OCTOBER 31, 2004
(Unaudited)
(In thousands)

	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ (1,446)	$ 5,865	$ 353	$ —	$ 4,772
Prepaid expenses	2,181	4,342	—	—	6,523
Deferred taxes	4,582	—	919	—	5,501
Other current assets	1,469	54,618	13,982	—	70,069
Total current assets	6,786	64,825	15,254	—	86,865
Property, plant and equipment, net of accumulated depreciation and amortization	2,815	399,922	(300)	—	402,437
Intangible assets, net	—	159,370	—	—	159,370
Investment in subsidiaries	(23,342)	—	—	23,342	—
Assets under contractual obligation	—	1,489	—	—	1,489
Other non-current assets	24,444	35,945	120	(4,379)	56,130
	3,917	596,726	(180)	18,963	619,426
Intercompany receivable	587,324	(589,659)	(2,044)	4,379	—
	$ 598,027	$ 71,892	$ 13,030	$ 23,342	$ 706,291

	Parent	Guarantors	Non - Guarantors	Elimination	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Accrued closure and post-closure costs, current portion	$ —	$ 5,020	$ 556	$ —	$ 5,576
Other current liabilities	15,721	55,296	14,058	—	85,075
Total current liabilities	15,721	60,316	14,614	—	90,651
Long-term debt, less current maturities	371,113	900	—	—	372,013
Capital lease obligations, less current maturities	305	1,492	—	—	1,797
Other long-term liabilities	7,039	28,062	2,880	—	37,981
COMMITMENTS AND CONTINGENCIES					
Series A redeemable, convertible preferred stock, 53,750 shares authorized, issued and outstanding, liquidation preference of $1,000 per share plus accrued but unpaid dividends	66,297	—	—	—	66,297
STOCKHOLDERS' EQUITY:					
Class A common stock—					
Authorized—100,000,000 shares, $0.01 par value; issued and outstanding—23,707,000 shares	237	101	100	(201)	237
Class B common stock—					
Authorized—1,000,000 shares, $0.01 par value, 10 votes per share, issued and outstanding—988,000 shares	10	—	—	—	10
Accumulated other comprehensive income	441	1,187	—	(1,187)	441
Additional paid-in capital	274,218	48,038	2,651	(50,689)	274,218
Accumulated deficit	(137,354)	(68,204)	(7,215)	75,419	(137,354)
Total stockholders' equity	137,552	(18,878)	(4,464)	23,342	137,552
	$ 598,027	$ 71,892	$ 13,030	$ 23,342	$ 706,291

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
THREE MONTHS ENDED OCTOBER 31, 2003
(Unaudited)
(In thousands)

	Parent	Guarantors	Non - Guarantors	Elimination	Consolidated
Revenues	$ —	$ 109,338	$ 4,478	$ (2,268)	$ 111,548
Operating expenses:					
Cost of operations	6	70,319	3,584	(2,268)	71,641
General and administration	325	14,090	371	—	14,786
Depreciation and amortization	478	12,787	1,687	—	14,952
	809	97,196	5,642	(2,268)	101,379
Operating income (loss)	(809)	12,142	(1,164)	—	10,169
Other expense/(income), net:					
Interest income	(5,958)	(340)	(23)	6,234	(87)
Interest expense	6,131	6,080	43	(6,234)	6,020
(Income) loss from equity method investments	(6,275)	(863)	—	6,275	(863)
Other income	(6)	(190)	(25)	—	(221)
Other expense/(income), net	(6,108)	4,687	(5)	6,275	4,849
Income (loss) from continuing operations before discontinued operations and income taxes	5,299	7,455	(1,159)	(6,275)	5,320
(Benefit) provision for income taxes	(395)	—	11	—	(384)
Income (loss) from continuing operations before discontinued operations	5,694	7,455	(1,170)	(6,275)	5,704
Loss from discontinued operations, net	—	(10)	—	—	(10)
Net income (loss)	5,694	7,445	(1,170)	(6,275)	5,694
Preferred stock dividend	808	—	—	—	808
Net income (loss) available to common stockholders	$ 4,886	$ 7,445	$ (1,170)	$ (6,275)	$ 4,886

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
THREE MONTHS ENDED OCTOBER 31, 2004
(Unaudited)
(In thousands)

	Parent	Guarantors	Non - Guarantors	Elimination	Consolidated
Revenues	$ —	$ 125,619	$ 4,164	$ (3,402)	$ 126,381
Operating expenses:					
Cost of operations	(195)	80,007	2,975	(3,402)	79,385
General and administration	207	15,872	291	—	16,370
Depreciation and amortization	415	15,203	1,957	—	17,575
Impairment charge	—	295	—	—	295
	427	111,377	5,223	(3,402)	113,625
Operating income (loss)	(427)	14,242	(1,059)	—	12,756
Other expense/(income), net:					
Interest income	—	(7,247)	(92)	7,227	(112)
Interest expense	463	14,080	36	(7,227)	7,352
(Income) loss from equity method investments	(7,099)	(994)	—	7,099	(994)
Other expense, net:	38	181	1	—	220
Other expense/(income), net	(6,598)	6,020	(55)	7,099	6,466
Income (loss) from continuing operations before income taxes and discontinued operations	6,171	8,222	(1,004)	(7,099)	6,290
Provision for income taxes	2,777	—	28	—	2,805
Income (loss) from continuing operations before discontinued operations	3,394	8,222	(1,032)	(7,099)	3,485
Discontinued operations:					
Income from discontinued operations, net	—	59	—	—	59
Loss on disposal of discontinued operations, net	—	(150)	—	—	(150)
Net income (loss)	3,394	8,131	(1,032)	(7,099)	3,394
Preferred stock dividend	832	—	—	—	832
Net income (loss) available to common stockholders	$ 2,562	$ 8,131	$ (1,032)	$ (7,099)	$ 2,562

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
SIX MONTHS ENDED OCTOBER 31, 2003
(Unaudited)
(In thousands)

	Parent	Guarantors	Non - Guarantors	Elimination	Consolidated
Revenues	$ —	$ 221,043	$ 8,701	$ (4,748)	$ 224,996
Operating expenses:					
Cost of operations	210	143,786	6,399	(4,748)	145,647
General and administration	207	28,382	568	—	29,157
Depreciation and amortization	927	25,600	3,177	—	29,704
	1,344	197,768	10,144	(4,748)	204,508
Operating income (loss)	(1,344)	23,275	(1,443)	—	20,488
Other expense/(income), net:					
Interest income	(11,885)	(677)	(48)	12,471	(139)
Interest expense	12,468	12,149	112	(12,471)	12,258
(Income) loss from equity method investments	(14,263)	(898)	—	14,263	(898)
Other income	(12)	(314)	(54)	—	(380)
Other expense/(income), net	(13,692)	10,260	10	14,263	10,841
Income (loss) from continuing operations before income taxes, discontinued operations and cumulative effect of change in accounting principle	12,348	13,015	(1,453)	(14,263)	9,647
Provision for income taxes	460	—	18	—	478
Income (loss) from continuing operations before discontinued operations operations and cumulative effect of change in accounting principle	11,888	13,015	(1,471)	(14,263)	9,169
Loss from discontinued operations, net	—	(4)	—	—	(4)
Cumulative effect of change in accounting principle, net	—	2,518	205	—	2,723
Net income (loss)	11,888	15,529	(1,266)	(14,263)	11,888
Preferred stock dividend	1,606	—	—	—	1,606
Net income (loss) available to common stockholders	$ 10,282	$ 15,529	$ (1,266)	$ (14,263)	$ 10,282

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
SIX MONTHS ENDED OCTOBER 31, 2004
(Unaudited)
(In thousands)

	Parent	Guarantors	Non - Guarantors	Elimination	Consolidated
Revenues	$ —	$ 248,260	$ 8,038	$ (6,245)	$ 250,053
Operating expenses:					
Cost of operations	(98)	158,112	5,894	(6,245)	157,663
General and administration	34	31,306	545	—	31,885
Depreciation and amortization	856	30,189	3,753	—	34,798
Impairment charge	—	295	—	—	295
	792	219,902	10,192	(6,245)	224,641
Operating income (loss)	(792)	28,358	(2,154)	—	25,412
Other expense/(income), net:					
Interest income	(4)	(14,245)	(131)	14,210	(170)
Interest expense	836	27,797	74	(14,210)	14,497
(Income) loss from equity method investments	(12,900)	(927)	—	12,900	(927)
Other expense/(income), net:	64	689	(2)	—	751
Other expense/(income), net	(12,004)	13,314	(59)	12,900	14,151
Income (loss) from continuing operations before income taxes and discontinued operations	11,212	15,044	(2,095)	(12,900)	11,261
Provision for income taxes	4,975	—	39	—	5,014
Income (loss) from continuing operations before discontinued operations	6,237	15,044	(2,134)	(12,900)	6,247
Discontinued operations:					
Income from discontinued operations, net	—	140	—	—	140
Loss on disposal of discontinued operations, net	—	(150)	—	—	(150)
Net income (loss)	6,237	15,034	(2,134)	(12,900)	6,237
Preferred stock dividend	1,670	—	—	—	1,670
Net income (loss) available to common stockholders	$ 4,567	$ 15,034	$ (2,134)	$ (12,900)	$ 4,567

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED OCTOBER 31, 2003
(Unaudited)
(In thousands)

	Parent	Guarantors	Non - Guarantors	Elimination	Consolidated
Net Cash Provided by Operating Activities	$ (1,579)	$ 22,884	$ 1,715	$ —	$ 23,020
Cash Flows from Investing Activities:					
Acquisitions, net of cash acquired	—	(6,098)	—	—	(6,098)
Additions to property, plant and equipment	(504)	(26,952)	(1,227)	—	(28,683)
Other	(1,348)	633	—	—	(715)
Net Cash Used In Investing Activities	(1,852)	(32,417)	(1,227)	—	(35,496)
Cash Flows from Financing Activities:					
Proceeds from long-term borrowings	60,950	—	—	—	60,950
Principal payments on long-term debt	(61,480)	(463)	(626)	—	(62,569)
Proceeds from exercise of stock options	2,037	—	—	—	2,037
Intercompany borrowings	(8,773)	9,142	(369)	—	—
Net Cash Provided by Financing Activities	(7,266)	8,679	(995)	—	418
Net decrease in cash and cash equivalents	(10,697)	(854)	(507)	—	(12,058)
Cash and cash equivalents, beginning of period	12,188	2,686	778	—	15,652
Cash and cash equivalents, end of period	$ 1,491	$ 1,832	$ 271	$ —	$ 3,594

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
S IX MONTHS ENDED OCTOBER 31, 2004
(Unaudited)
(In thousands)

	Parent	Guarantors	Non - Guarantors	Elimination	Consolidated
Net Cash Provided by Operating Activities	$ (124)	$ 33,686	$ 2,128	$ —	$ 35,690
Cash Flows from Investing Activities:					
Acquisitions, net of cash acquired	—	(5,040)	—	—	(5,040)
Additions to property, plant and equipment	(907)	(39,758)	(1,768)	—	(42,433)
Payments on landfill operating lease contracts	—	(17,326)	—	—	(17,326)
Proceeds from divestitures	—	3,050	—	—	3,050
Other	—	1,546	—	—	1,546
Net Cash Used In Investing Activities	(907)	(57,528)	(1,768)	—	(60,203)
Cash Flows from Financing Activities:					
Proceeds from long-term borrowings	83,950	—	—	—	83,950
Principal payments on long-term debt	(60,833)	(1,564)	(655)	—	(63,052)
Proceeds from exercise of stock options	380	—	—	—	380
Intercompany borrowings	(31,717)	31,467	250	—	—
Net Cash Provided by Financing Activities	(8,220)	29,903	(405)	—	21,278
Net decrease in cash and cash equivalents	(9,251)	6,061	(45)	—	(3,235)
Cash and cash equivalents, beginning of period	7,805	(196)	398	—	8,007
Cash and cash equivalents, end of period	$ (1,446)	$ 5,865	$ 353	$ —	$ 4,772

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

Casella Waste Systems, Inc. and Subsidiaries (the "Company") is a vertically integrated regional solid waste services company that provides collection, transfer, disposal and recycling services to residential, industrial and commercial customers, primarily throughout the eastern region of the United States. As of November 30, 2004, the Company owned and/or operated eight Subtitle D landfills, two landfills permitted to accept construction and demolition materials, 38 solid waste collection operations, 34 transfer stations, 38 recycling facilities and one waste-to-energy facility, as well as a 50% interest in a joint venture that manufactures, markets and sells cellulose insulation made from recycled fiber.

The Company's revenues increased from $111.5 million for the quarter ended October 31, 2003 to $126.4 million for the quarter ended October 31, 2004. From May 1, 2003 through April 30, 2004, the Company acquired eleven solid waste collection, transfer, disposal and recycling operations. Between May 1, 2004 and October 31, 2004 the Company acquired six solid waste collection, transfer, disposal and recycling operations. Under the rules of purchase accounting, the acquired companies' revenues and results of operations have been included from the date of acquisition and affect the period-to-period comparisons of the Company's historical results of operations. Effective September 30, 2002, the Company transferred our export brokerage operations to former employees, who had been responsible for managing that business. The domestic brokerage operations, and a recycling business, constituting the remainder of the Company's brokerage revenues, were transferred effective June 30, 2003 to the employees of that unit. Due to the structure of these transactions, the transfers were not initially recorded as a sale. Effective April 1, 2004, the Company completed the sale of the export brokerage operations for total consideration of approximately $5.0 million. The gain on the sale amounted to approximately $1.1 million. For the six months ended October 31, 2003, the transferred domestic brokerage and recycling businesses accounted for $3.3 million of the Company's revenues.

Forward Looking Statements

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

General

Revenues

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

In "Other", the Company has ancillary revenues including major customer accounts and earnings from equity method investees. The Company's cellulose insulation business is conducted through a 50/50 joint venture with Louisiana-Pacific, and accordingly, the Company recognizes half of the joint venture's net income on the equity method in our results of operations.

The Company's revenues are shown net of inter-company eliminations. The Company typically establishes its inter-company transfer pricing based upon prevailing market rates. The table below shows, for the periods indicated, the percentage of our revenues attributable to services provided. For the six months ended October 31, 2003, the percentages of revenues shown below reflect revenues from the domestic brokerage and recycling operations through June 30, 2003. The domestic brokerage operation was transferred effective June 30, 2003 to the employees of that unit. Excluding the effect of brokerage revenues, collection and transfer revenues as a percentage of total revenue were lower in the quarter and six months ended October 31, 2004 compared to the prior year, despite an increase in the absolute dollar amounts, mainly because of the large increase in recycling revenue dollars. Net of brokerage revenues, landfill/disposal revenues as a percentage of total revenues increased in the quarter and six months ended October 31, 2004 due to the incremental volumes associated with recently acquired landfill facilities. The increase in the quarter and six months ended October 31, 2004 in recycling revenues as a percentage of total revenues is mainly due to higher commodity prices. The decrease in brokerage revenues as a percentage of revenues in the six months ended October, 31, 2004 is due to the transfer of the domestic brokerage business to employees of that unit.

	Three Months Ended October 31,		Six Months Ended October 31,	
	2003	2004	2003	2004
Collection	49.6%	46.5%	49.3%	46.9%
Landfill/disposal facilities	15.7	17.5	15.7	17.0
Transfer	12.9	11.8	12.7	11.9
Recycling	21.8	24.2	20.8	24.2
Brokerage	0.0	0.0	1.5	0.0
Total revenues	100.0%	100.0%	100.0%	100.0%

Operating Expenses

Cost of operations includes labor, tipping fees paid to third party disposal facilities, fuel, maintenance and repair of vehicles and equipment, worker's compensation and vehicle insurance, the cost of purchasing materials to be recycled, third party transportation expense, district and state taxes, host community fees and royalties. Cost of operations also includes accretion expense related to landfill capping, closure and post closure, leachate treatment and disposal costs and depletion of landfill operating lease obligations.

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

Depreciation and amortization expense includes depreciation of fixed assets over the estimated useful life of the assets using the straight-line method, amortization of landfill airspace assets under the units-of-production method, and the amortization of intangible assets (other than goodwill) using the straight-line method. Effective May 1, 2003, the Company adopted SFAS No. 143, *Accounting for Asset Retirement Obligations.* Under SFAS No. 143, except for accretion expense, the Company no longer accrues for landfill retirement obligations through a charge to cost of operations, but rather as an increase to landfill assets which are amortized using a straight-line rate per ton as landfill airspace is utilized. The amount of landfill amortization expense related to airspace consumption can vary materially from landfill to landfill depending upon the purchase price and landfill site and cell development costs. The Company depreciates all fixed and intangible assets, other than goodwill, to a zero net book value, and does not apply a salvage value to any fixed assets.

The Company capitalizes certain direct landfill development costs, such as engineering, permitting, legal, construction and other costs associated directly with the expansion of existing landfills. Additionally, the Company also capitalizes certain third party expenditures related to pending acquisitions, such as legal and engineering costs. The Company routinely evaluates all such capitalized costs, and expenses those costs related to projects not likely to be successful. Internal and indirect landfill development and acquisition costs, such as executive and corporate overhead, public relations and other corporate services, are expensed as incurred.

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

Results of Operations

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

	Three Months Ended October 31,		Six Months Ended October 31,	
	2003	2004	2003	2004
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of operations	64.2	62.8	64.7	63.1
General and administration	13.3	13.0	13.0	12.8
Depreciation and amortization	13.4	13.9	13.2	13.9
Impairment charge	—	0.2	—	0.1
Operating income	9.1	10.1	9.1	10.1
Interest expense, net	5.3	5.7	5.4	5.7
Income from equity method investments	(0.8)	(0.8)	(0.4)	(0.4)
Other expense/(income), net	(0.2)	0.2	(0.2)	0.3
Provision (benefit) for income taxes	(0.3)	2.2	0.2	2.0
Income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	5.1%	2.8%	4.1%	2.5%

Three Months Ended October 31, 2004 versus October 31, 2003

Revenues. Revenues increased $14.9 million, or 13.4% to $126.4 million in the quarter ended October 31, 2004 from $111.5 million in the quarter ended October 31, 2003. The revenue increase in the quarter is attributable to an increase in solid waste revenues of $4.2 million, due primarily to volume increases, and higher recycling prices which resulted in an increase in recycling revenues of $2.3 million. Revenues from the rollover effect of acquired businesses accounted for $8.4 million in the quarter.

Cost of operations. Cost of operations increased $7.8 million or 10.9% to $79.4 million in the quarter ended October 31, 2004 from $71.6 million in the quarter ended October 31, 2003. As a percentage of revenues, cost of operations decreased to 62.8% in the quarter ended October 31, 2004 compared to 64.2% in the prior year period. The dollar increase in cost of operations expenses is primarily due to the effect of acquired businesses and higher fuel costs.

General and administration. General and administration expenses increased $1.6 million, or 10.8% to $16.4 million in the quarter ended October 31, 2004 from $14.8 million in the quarter ended October 31, 2003, and decreased as a percentage of revenues to 13.0% in the quarter ended October 31, 2004 from 13.3% in the prior year comparable period. The dollar increase in general and administration expenses was due to higher bonus accruals, travel expenses, communications and training costs as well as expenses related to compliance with the Sarbanes Oxley Act.

Depreciation and amortization. Depreciation and amortization expense increased $2.6 million, or 17.3%, to $17.6 million in the quarter ended October 31, 2004 from $15.0 million in the quarter ended October 31, 2003. Depreciation expense was up $0.5 million between periods and landfill amortization expense increased $2.1 million which was primarily attributable to recently acquired landfill operations. Depreciation and amortization expense as a percentage of revenue increased to 13.9% in the quarter ended October 31, 2004 from 13.4% in the quarter ended October 31, 2003 which resulted mainly from the increase in landfill amortization expense.

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

Interest expense, net. Net interest expense increased $1.3 million, or 22.0% to $7.2 million in the quarter ended October 31, 2004 from $5.9 million in the quarter ended October 31, 2003. This increase is attributable to higher average debt balances due to higher capital expenditures and payments on landfill operating lease contracts as well as higher average interest rates in the current fiscal quarter compared to the prior year period. Net interest expense, as a percentage of revenues, increased to 5.7% in the quarter ended October 31, 2004 from 5.3% in the quarter ended October 31, 2003.

Income from equity method investments. Income of $1.0 million and $0.9 million for the quarters ended October 31, 2004 and 2003, respectively, was solely from our 50% joint venture interest in GreenFiber.

Other expense/(income), net. Other expense in the quarter ended October 31, 2004 was $0.2 million compared to other income of $0.2 million in the quarter ended October 31, 2003. Other expense in the quarter ended October 31, 2004 consisted of the cost of winding down the operations of the New Heights power plant, partially offset by gains on the sale of equipment. Other income in the quarter ended October 31, 2003 was mainly due to a gain on sale of equipment.

Provision (benefit) for income taxes. Provision for income taxes increased $3.2 million to $2.8 million for the quarter ended October 31, 2004 from a benefit of $0.4 million for the quarter ended October 31, 2003. The effective tax rate increased to 44.6% in the quarter ended October 31, 2004 from a credit of 7.2% in the quarter ended

October 31, 2003. The lower tax rate in the prior year comparable quarter was due to a decrease in the valuation allowance for loss carryforwards.

Income (loss) from discontinued operations/Loss on disposal of discontinued operations. In the second quarter, the Company completed the sale of the assets of Data Destruction for cash sale proceeds of $3.0 million. This shredding operation had been historically accounted for as a component of continuing operations up until its sale. The business' historical income (loss) from operations results has been reclassified from continuing operations to discontinued operations for the quarters ended October 31, 2004 and 2003. Also in connection with the discontinued accounting treatment, the loss (net of tax) from the sale has been recorded and classified as a loss on disposal of discontinued operations.

Six Months Ended October 31, 2004 versus October 31, 2003

Revenues. Revenues increased $25.1 million, or 11.2% to $250.1 million in the six months ended October 31, 2004 from $225.0 million in the six months ended October 31, 2003. The revenue increase is attributable to an increase in solid waste revenues of $6.5 million, due primarily to volume increases, and higher recycling prices which resulted in an increase in recycling revenues of $5.9 million. Revenues from the rollover effect of acquired businesses accounted for $16.0 million, partially offset by the loss of revenues from businesses divested amounting to $3.3 million.

Cost of operations. Cost of operations increased $12.1 million or 8.3% to $157.7 million in the six months ended October 31, 2004 from $145.6 million in the six months ended October 31, 2003. Cost of operations as a percentage of revenues decreased to 63.1% in the six months ended October 31, 2004 from 64.7% in the prior year. The dollar increase in cost of operations expenses in the quarter is primarily due to the effect of acquired businesses and higher fuel costs.

General and administration. General and administration expenses increased $2.7 million, or 9.2% to $31.9 million in the six months ended October 31, 2004 from $29.2 million in the six months ended October 31, 2003, and decreased as a percentage of revenues to 12.8% in the six months ended October 31, 2004 from 13.0% in the six months ended October 31, 2003. The dollar increase in general and administration expenses was due to higher bonus accruals, travel expenses, communications and training costs as well as expenses related to compliance with the Sarbanes Oxley Act.

Depreciation and amortization. Depreciation and amortization expense increased $5.1 million, or 17.1%, to $34.8 million in the six months ended October 31, 2004 from $29.7 million in the six months ended October 31, 2003. While depreciation expense increased by $1.3 million between periods, landfill amortization expense increased by $3.8 million primarily due to recently acquired landfill operations. Depreciation and amortization expense as a percentage of revenue increased to 13.9% for the six months ended October 31, 2004 from 13.2% for the six months ended October 31, 2003 which resulted from the increase in landfill amortization expense.

Deferred costs. A charge of $0.3 million was recorded in the six months ended October 31, 2004 to reflect the write-off of deferred development costs associated with unsuccessful negotiations to operate and develop a landfill located in McKean County, Pennsylvania.

Interest expense, net. Net interest expense increased $2.2 million, or 18.2% to $14.3 million in the six months ended October 31, 2004 from $12.1 million in the six months ended October 31, 2003. This increase is attributable to higher average debt balances due to higher capital expenditures and payments on landfill operating lease contracts as well as higher average interest rates in the six months ended October 31, 2004 compared to the prior year period. Net interest expense, as a percentage of revenues, increased to 5.7% for the six months ended October 31, 2004 from 5.4% for the six months ended October 31, 2003.

Income from equity method investments. Income of $0.9 million for both the six month periods ended October 31, 2004 and 2003, was solely from our 50% joint venture interest in GreenFiber.

Other expense/(income), net. Other expense in the six months ended October 31, 2004 was $0.8 million compared to other income of $0.4 million in the six months ended October 31, 2003. Other expense in the six months ended October 31, 2004 consisted of the costs of winding down the operations of the New Heights power plant and a loss on retirement of fixed assets, partially offset by gains on the sale of equipment. Other income of $0.4 million in the six months ended October 31, 2003 consisted primarily of gains on sales of equipment.

Provision (benefit) for income taxes. Provision for income taxes increased $4.5 million in the six months ended October 31, 2004 to $5.0 million from $0.5 million in the six months ended October 31, 2003. The effective tax rate increased to 44.5% in the six months ended October 31, 2004 from 0.5% in the six months ended October 31, 2003 primarily due to a prior year decrease in the valuation for loss carryforwards of $3.9 million as utilization of the Company's tax losses became more certain.

Income (loss) from discontinued operations/Loss on disposal of discontinued operations. In the second quarter, the Company completed the sale of the assets of Data Destruction for cash sale proceeds of $3.0 million. This shredding operation had been historically accounted for as a component of continuing operations up until its sale. The business' historical income (loss) from operations has been reclassified from continuing operations to discontinued operations for the six months ended October 31, 2004 and 2003. Also in connection with the discontinued accounting treatment, the loss (net of tax) from the sale has been recorded and classified as a loss on disposal of discontinued operations.

Cumulative effect of change in accounting principle, net. Effective May 1, 2003, the Company adopted SFAS No. 143, *Accounting for Asset Retirement Obligations.* The primary modification to the Company's methodology required by SFAS No. 143 is to require that capping, closure and post-closure costs be discounted to present value. Upon adoption of SFAS No. 143 the Company recorded a cumulative effect of change in accounting principle of $2.7 million (net of taxes of $1.9 million) in the six months ended October 31, 2003 in order to reflect the cumulative change in accounting for landfill obligations retroactive to the date of the inception of the respective landfills.

Liquidity and Capital Resources

The Company's business is capital intensive. The Company's capital requirements include acquisitions, fixed asset purchases and capital expenditures for landfill development and cell construction, as well as site and cell closure. The Company had a net working capital deficit of $8.6 million at October 31, 2004 compared to a net working capital deficit of $12.6 million at April 30, 2004. Net working capital comprises current assets, excluding cash and cash equivalents, minus current liabilities. The main factor accounting for the working capital increase was a higher level of trade receivables.

The Company has a $323.5 million credit facility with a group of banks for which Bank of America, N.A. is acting as agent. This credit facility consists of a $175.0 million senior secured revolving credit facility and a senior secured term "B" loan, which had an outstanding balance of $148.5 million at October 31, 2004. The Company has the right to increase the amount of the revolver and/or the term loan by an aggregate amount of up to $50.0 million at the Company's discretion, provided that the Company is not in default at the time of the increase, and subject to the receipt of commitments from lenders for such additional amount.

The term loan and revolving credit facility agreement contains covenants that may limit our activities, including covenants that restrict dividends and stock repurchases, limit capital expenditures, and set minimum net worth and profitability requirements and interest coverage and leverage ratios. As of October 31, 2004, the Company considered the profitability covenant, which requires our cumulative adjusted net income for any two consecutive quarters to be positive, to be the most restrictive. As of October 31, 2004, the Company was in compliance with this covenant. Consolidated adjusted net income is defined by the credit facility agreement. In accordance with this definition, consolidated net income, determined in accordance with generally accepted accounting principles, is adjusted for elimination of certain nonrecurring charges, extraordinary gains, income from discontinued operations and non-cash income attributable to equity investments. On June 14, 2004, the Company amended the terms of the senior credit facility to clarify the definition of certain non-recurring charges excluded from the covenant calculations.

As of October 31, 2004, the Company had available borrowing capacity under our $175.0 million revolving credit facility of up to $120.7 million, subject to our ability to meet certain borrowing conditions. The available capacity of $120.7 million is net of outstanding irrevocable letters of credit of $30.9 million. This credit facility is secured by all of our assets, including our interest in the equity securities of our subsidiaries. The revolving credit facility matures in January 2008 and the term loan matures in January 2010.

As of October 31, 2004, the Company had outstanding $195.0 million of 9.75% senior subordinated notes (the ''notes'') which mature in January 2013. The senior subordinated note agreement contains covenants that restrict dividends, stock repurchases and other payments, and limits the incurrence of debt and issuance of preferred stock. The notes are guaranteed jointly and severally, fully and unconditionally by our significant wholly-owned subsidiaries.

Net cash provided by operating activities amounted to $35.8 million for the six months ended October 31, 2004 compared to $23.0 million for the same period of the prior fiscal year. The increase was mainly due to higher landfill amortization and depreciation expense, an increase in deferred income taxes and depletion of landfill operating lease obligations, as well as changes in the Company's working capital.

Net cash used in investing activities was $60.2 million for the six months ended October 31, 2004 compared to $35.5 million used in investing activities in the same period of the prior fiscal year. The increase in cash used in investing activities was due to a higher level of capital expenditures and payments under landfill operating lease contracts.

Net cash provided by financing activities was $21.1 million for the six months ended October 31, 2004 compared to $0.4 million in the same period of the prior fiscal year. The increase in cash provided by financing activities is primarily due to higher net borrowings.

Inflation and Prevailing Economic Conditions

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

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

Certain Factors That May Affect Future Results

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

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

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

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

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

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

In addition, the process of acquiring, developing and permitting additional disposal capacity is lengthy, expensive and uncertain. For example, the Company is currently involved in litigation with the Town of Bethlehem, New Hampshire relating to the expansion of a landfill owned by the Company's wholly owned subsidiary, North Country Environmental Services, Inc. Moreover, the disposal capacity at the Company's existing landfills is limited by the remaining available volume at the Company's landfills and annual, quarterly and/or daily disposal limits imposed by the various governmental authorities with jurisdiction over the Company's landfills. The Company typically reaches or approximates the Company's daily, quarterly and annual maximum permitted disposal capacity at the majority of the Company's landfills. If the Company is unable to develop or acquire additional disposal capacity, the Company's ability to achieve economies from the internalization of the Company's waste stream will be limited and the Company may be required to increase the Company's utilization of disposal facilities owned by third parties, which could reduce the Company's revenues and/or the Company's operating margins. Although the Company has recently entered into several landfill operating lease contracts, there can be no assurance that any or all of these landfill management contracts will result in successful operations at the respective sites or that the landfill projects will receive all necessary permits. As an example, after the Company signed a Construction, Operation and Management Agreement with the Town of Templeton, Massachusetts for the development of the Templeton Landfill, the Town adopted by-laws prohibiting the acceptance of out-of-town waste.

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

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

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

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

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

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

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

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

In addition to the costs of complying with environmental laws and regulations, the Company incurs costs defending against environmental litigation brought by governmental agencies and private parties. The Company is, and also may be in the future, a defendant in lawsuits brought by parties alleging environmental damage, personal injury, and/or property damage.

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

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

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

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

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

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

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

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

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

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

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

As is generally the case in the industry, some municipal contracts are subject to periodic competitive bidding. The Company may not be the successful bidder to obtain or retain these contracts. If the Company is unable to compete with larger and better capitalized companies, or to replace municipal contracts lost through the competitive bidding process with comparable contracts or other revenue sources within a reasonable time period the Company's revenues would decrease and the Company's operating results would be harmed.

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

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

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

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

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

The price and supply of fuel is unpredictable and fluctuates based on events beyond the Company's control, including among others, geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regional production patterns. Because fuel is needed to run the Company's fleet of trucks, price escalations for fuel increase the Company's operating expenses. During fiscal 2004, the Company used approximately 6.8 million gallons of diesel fuel in the Company's solid waste operations. Although many of the Company's customer contracts permit the Company to pass on some or all fuel increases to the Company's customers, the Company may choose not to do so for competitive reasons.

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

Public solid waste collection, recycling and disposal contracts, obligations associated with landfill closure and the operation and closure of waste-to-energy facilities may require performance or surety bonds, letters of credit or other means of financial assurance to secure the Company's contractual performance. If the Company is unable to obtain the necessary financial assurance in sufficient amounts or at acceptable rates, the Company could be precluded from entering into additional municipal solid waste collection contracts or from obtaining or retaining landfill management contracts or operating permits. Any future difficulty in obtaining insurance could also impair the Company's ability to secure future contracts conditioned upon the contractor having adequate insurance coverage.

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

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

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

The Company's transfer and disposal revenues have historically been lower during the months of November through March. This seasonality reflects the lower volume of waste during the late fall, winter and early spring months primarily because:

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

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

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

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

Labor unions regularly make attempts to organize the Company's employees, and these efforts will likely continue in the future. Certain groups of the Company's employees have chosen to be represented by unions, and the Company has negotiated collective bargaining agreements with these groups. Additional groups of employees may seek union representation in the future, and the negotiation of collective bargaining agreements could divert management attention and result in increased operating expenses and lower net income. If the Company is unable to negotiate acceptable collective bargaining agreements, the Company might have to wait through ''cooling off'' periods, which are often followed by union-initiated work stoppages, including strikes. Depending on the type and duration of any labor disruptions, the Company's revenues could decrease and the Company's operating expenses could increase, which could adversely affect the Company's financial condition, results of operations and cash flows. As of November 30, 2004, approximately 4.4% of the Company's employees involved in collection, transfer, disposal, recycling or other operations, including the Company's employees at the Company's Maine Energy waste-to-energy facility, were represented by unions.

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

The holders of the Company's Class B common stock are entitled to ten votes per share and the holders of the Company's Class A common stock are entitled to one vote per share. At November 30, 2004, an aggregate of 988,200 shares of the Company's Class B common stock, representing 9,882,000 votes, were outstanding, all of which were beneficially owned by John W. Casella, the Company's Chairman and Chief Executive Officer, or by his brother, Douglas R. Casella, a member of the Company's Board of Directors. Based on the number of shares of common stock and Series A redeemable convertible preferred stock outstanding on November 30, 2004, the shares of the Company's Class A common stock and Class B common stock beneficially owned by John W. Casella and Douglas R. Casella represent approximately 29.8% of the aggregate voting power of the Company's stockholders. Consequently, John W. Casella and Douglas R. Casella are able to substantially influence all matters for stockholder consideration.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate volatility

The interest rate on $53.0 million of long term debt has been fixed through two interest rate swaps. The Company had interest rate risk relating to approximately $118.9 million of long-term debt at October 31, 2004. The interest rate on the variable rate portion of long-term debt was approximately 4.85% at October 31, 2004. Should the average interest rate on the variable rate portion of long-term debt change by 100 basis points, it would have an approximate interest expense change of $0.3 million for the quarter reported.

The remainder of the Company's long-term debt is at fixed rates and not subject to interest rate risk.

Commodity price volatility

The Company is subject to commodity price fluctuations related to the portion of our sales of recyclable commodities that are not under floor or flat pricing arrangements. As of October 31, 2004, to minimize the Company's commodity exposure, the Company was party to twenty-five commodity hedging agreements. The Company does not use financial instruments for trading purposes and is not a party to any leveraged derivatives. If commodity prices were to change by 10%, the impact on our operating margin is estimated at $0.6 million for the quarter ended October 31, 2004, without considering our hedging agreements. The effect of the hedge position would reduce the impact by approximately $0.2 million.

ITEM 4. CONTROLS AND PROCEDURES

a) *Evaluation of disclosure controls and procedures***.** The Company's management, with the participation of its chief executive officer and chief financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of October 31, 2004. Based on this evaluation, the Company's chief executive officer and chief financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are (i) designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is made known to the Company's Chief Executive Officer and Chief Financial Officer; and (ii) effective, in that they provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

b) *Changes in internal controls.* During the period covered by this Quarterly Report on Form 10-Q, there were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f)) that have materially affected or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Pursuant to the applicable rules of the Securities and Exchange Commission, information as to material legal proceedings is presented in the Company's Annual Report on Form 10-K, and information as to such legal proceedings is only included in this Quarterly Report on Form 10-Q and in any other Quarterly Report on Form 10-Q to the extent there have been material developments with respect to such proceedings during the period covered by such Quarterly Report.

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

On or about November 7, 2001, the Company's subsidiary New England Waste Services of Maine, Inc. was served with a complaint filed in Massachusetts Superior Court on behalf of Daniel J. Quirk, Inc. and 14 citizens against The Massachusetts Department of Environmental Protection ("MADEP"), Quarry Hill Associates, Inc. and New England Waste Services of ME, Inc. dba New England Organics, et al. The complaint seeks injunctive relief related to the use of MADEP-approved wastewater treatment sludge in place of naturally occurring topsoil as final landfill cover material at the site of the Quarry Hills Recreation Complex Project in Quincy, Massachusetts (the "Project"), including removal of the material, or placement of an additional "clean" cover. On February 21, 2002, the MADEP filed a motion for stay pending a litigation control schedule. Plaintiffs have filed a cross-motion to consolidate the case with 11 other cases they filed related to the Project. Additionally, the Company has cross-claimed against other named defendants seeking indemnification and contribution. In September 2002, the court granted a stay of all proceedings pending the filing of summary judgment motions by all defendants on the issue of whether the plaintiffs are barred from suing the defendants as a result of a covenant not to sue that was signed by plaintiffs in 1998. On December 17, 2002, the court granted certain summary judgment motions filed by the defendants, the effect of which was the dismissal of all claims against all defendants in all cases where New England Waste Services of ME, Inc. was a defendant. On or about February 12, 2003, plaintiffs filed an appeal. On September 24, 2004, the Massachusetts State Appeals court reversed the Superior Court and reinstated the dismissed cases. The Company believes that it has meritorious defenses to these claims.

The Company offers no prediction on the outcome of any of the proceedings described above. The Company is vigorously defending each of these lawsuits. However, there can be no guarantee the Company will prevail or that any judgments against the Company, if sustained on appeal, will not have a material adverse effect on the Company's business, financial condition or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On September 22, 2004, the Company issued an aggregate of 174,974 shares of its Class A Common stock upon conversion of 2,000 shares of its Series A Convertible Preferred Stock.

ITEM 3. DEFAULTS ON SENIOR SECURITIES

None.

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

At the Company's annual meeting of stockholders held on October 5, 2004, two proposals were submitted to a vote of the Company's stockholders. The proposals and results of voting were as follows:

PROPOSAL I.

Proposal to elect, as Class I directors, Messrs. James F. Callahan, Jr., Douglas R. Casella and D. Randolph Peeler.

James F. Callahan, Jr.	Votes For:	30,292,301
	Withheld:	56,772
Douglas R. Casella:	Votes For:	29,989,770
	Withheld:	359,303
D. Randolph Peeler:	Votes For:	30,055,101
	Withheld:	293,972

Other directors whose terms of office continued in effect after the annual meeting are John W. Casella, James W. Bohlig, John F. Chapple III, Joseph G. Doody, Gregory B. Peters and John J. Zillmer.

PROPOSAL II.

Proposal to ratify the selection of PricewaterhouseCoopers LLP as the Company's auditors for the fiscal year ending April 30, 2004.

Votes For:	30,288,557
Votes Against:	47,863
Abstentions:	12,653

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The exhibits that are filed as part of this Quarterly Report on Form 10-Q or that are incorporated by reference herein are set forth in the Exhibit Index hereto.

SIGNATURE

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

	Casella Waste Systems, Inc.
Date: December 10, 2004	By: /s/ Richard A. Norris
	Richard A. Norris Chief Financial Officer (Principal Financial and Accounting Officer and Duly Authorized Officer)

Exhibit Index

10.1	Amendment No. 4 to Second Amended and Restated Revolving Credit and Term Loan Agreement.
31.1	Certification of John W. Casella, Chairman of the Board of Directors and Chief Executive Officer required by Rule 13a-14(a) or Rule 15(d)-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
31.2	Certification of Richard A. Norris, Senior Vice President and Chief Financial Officer required by Rule 13a-14(a) or Rule 15(d)-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. S 1350 of John W. Casella, Chairman of the Board of Directors and Chief Executive Officer, as adopted pursuant to section 906 of the Sarbanes – Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. S 1350 of Richard A. Norris, Senior Vice President and Chief Financial Officer, as adopted pursuant to section 906 of the Sarbanes – Oxley Act of 2002.

Exhibit 10.1

CONFORMED COPY

AMENDMENT NO. 4 TO SECOND AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT

This AMENDMENT NO. 4 TO SECOND AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT (this "Amendment") is made and entered into as of June 14, 2004 by and among **CASELLA WASTE SYSTEMS, INC.**, a Delaware corporation (the "Parent"), and each of its Subsidiaries listed on Schedule 1 to the Credit Agreement referred to below (other than the Excluded Subsidiaries) (the Parent and such Subsidiaries herein collectively referred to as the "Borrowers"), **FLEET NATIONAL BANK** ("Fleet") and the other financial institutions party to the Credit Agreement executing this Amendment (as defined below), and Fleet as administrative agent for itself and the other Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used herein without definition shall have the respective meanings provided therefor in the Credit Agreement.

WHEREAS, the Borrowers, the Administrative Agent and the financial institutions referred to therein as Lenders (the "Lenders"), are parties to a Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of January 24, 2003, as amended by an Amendment No. 1 and Release to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of April 30, 2003, an Amendment No. 2 to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of August 26, 2003, and an Amendment No. 3 and Consent to Certain Acquisitions to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of November 21, 2003 (as otherwise amended and restated and in effect from time to time, the "Credit Agreement"), pursuant to which the Lenders have extended credit to the Borrowers on the terms set forth therein;

WHEREAS, the Borrowers have requested that the Administrative Agent and the Required Lenders amend the Credit Agreement as provided more fully herein below;

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

§1. Amendments to Credit Agreement. The Credit Agreement is hereby amended as follows:

§1.1 Amendments to Section 1.1.

(a) The definition of "Consolidated Adjusted Net Income" in Section 1.1 is hereby amended in its entirety to read as follows:

"Consolidated Adjusted Net Income. For any period, the Consolidated Net Income (or Loss) of the Parent and its Subsidiaries determined in accordance with GAAP, plus, to the extent deducted and without duplication, (a) adjustments for non-cash write-offs attributable to the use of a fair value methodology for recognition and measurement of impairment of goodwill not identified with impaired assets in accordance with Financial Accounting Standards Board Statement No. 142 up to an aggregate amount of $62,825,000, (b) charges incurred by the Borrowers in connection with the early termination of interest rate hedging contracts up to an aggregate amount of $4,000,000, (c) adjustments for non-cash, non-recurring charges related to losses from asset impairment charges or resulting from sales of the Specified Entities or their assets up to an aggregate amount of $15,000,000, and cash charges related to losses from such asset impairment charges or sales up to $1,000,000, (d) the non-recurring, non-cash write-off of debt issuance expenses related to the refinancing of Indebtedness under the Existing Credit Agreement, such write-off not to exceed $4,000,000, (e) non-cash charges relating to asset write-offs up to an aggregate of $1,200,000 and (f) charges incurred by the Borrowers in connection with unsuccessful landfill developments up to an aggregate of $3,000,000."

(b) The definition of "Generally Accepted Accounting Principles or GAAP" in Section 1.1. is hereby amended in its entirety to read as following

"Generally Accepted Accounting Principles or GAAP. When used in general, Generally Accepted Accounting Principles means 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 April 30, 2004, 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 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 April 30, 2004."

(c) Schedule 3 (EBITDA), referred to in the definition of Consolidated EBITDA in Section 1.1. of the Credit Agreement is updated by the Schedule 3 (EBITDA) as attached hereto.

2. Amendment Fee. The Borrowers shall pay to the Administrative Agent for the account of each Lender and its Lender Affiliates party to the Credit Agreement (collectively, the "Financial Institutions") which has executed a counterpart signature page to this Amendment, a work fee ("the Amendment Fee") in the aggregate amount equal to 0.125% on their Commitment or Term Loan.

3. Conditions to Effectiveness. This Amendment shall become effective when (a) the Administrative Agent shall have received a counterpart signature page to this Amendment duly executed and delivered by each of the Borrowers and the Required Lenders and (b) and the payment of the Amendment Fee.

4. Representations and Warranties. Each of the Borrowers represents and warrants to the Lenders and the Administrative Agent as follows:

(a) The execution, delivery and performance of each of this Amendment and the performance by the Borrowers of their obligations and agreements under this Amendment and the Credit Agreement as amended hereby and thereby are within the corporate or equivalent company power and authority of such Borrower and have been or will be authorized by proper corporate or equivalent company proceedings, and do not (i) require any consent or approval of the equity holders of such Borrower which has not been obtained, (ii) contravene any provision of the constituent documents of such Borrower or any law, rule or regulation applicable to such Borrower, or (iii) contravene any provision of, or constitute an event of default or event which, but for the requirement that time elapse or notice be given, or both, would constitute an event of default under, any other material agreement, instrument or undertaking binding on such Borrower.

(b) This Amendment and all of the terms and provisions hereof and thereof are the legal, valid and binding obligations of such Borrower enforceable in accordance with their respective terms except as limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally, and except as the remedy of specific performance or of injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

(c) The execution, delivery and performance of this Amendment does not require any approval or consent of, or filing or registration with, any governmental or other agency or authority, or any other party.

(d) The representations and warranties contained in Section 6 of the Credit Agreement are true and correct in all material respects as of the date hereof as though made on and as of the date hereof (except to the extent of changes resulting from transactions contemplated or permitted by the Credit Agreement as amended by this Amendment 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).

(e) After giving effect to this Amendment, no Default or Event of Default under the Credit Agreement will occur or be continuing.

5. Ratification, etc. Except as expressly amended hereby, the Credit Agreement, the other Loan Documents and all documents, instruments and agreements related thereto are hereby ratified and confirmed in all respects and shall continue in full force and effect. This Amendment and the Credit Agreement shall hereafter be read and construed together as a single document, and all references in the Credit Agreement or any related agreement or instrument to the Credit Agreement shall hereafter refer to the Credit Agreement as amended by this Amendment.

6. No Implied Waiver. Except as expressly set forth in this Amendment, this Amendment shall not, by implication or otherwise, limit, impair, constitute a waiver of or otherwise affect any rights or remedies of the Administrative Agent or the Lenders under the Credit Agreement or the other Loan Documents, nor alter, modify, amend or in any way affect any of the terms, obligations or covenants contained in the Credit Agreement or the Loan Documents, all of which shall continue in full force and effect. Nothing in this Amendment shall be construed to imply any willingness on the part of the Administrative Agent or the Lenders to grant any similar or future consent or waiver of any of the terms and conditions of the Credit Agreement or the other Loan Documents.

7. Counterparts; Governing Law. This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of such when so executed and delivered shall be an original, but all of such counterparts shall together constitute but one and the same agreement. THIS CONSENT SHALL BE GOVERNED BY AND INTERPRETED AND DETERMINED AS AN INSTRUMENT UNDER SEAL IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS, WITHOUT REFERENCE TO CONFLICTS OF LAW. This Amendment, to the extent signed and delivered by means of a facsimile machine or other electronic transmission in which the actual signature is evident, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto, each other party hereto or thereto shall re-execute original forms hereof and deliver them to all other parties. No party hereto shall raise the use of a facsimile machine or other electronic transmission in which the actual signature is evident to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or other electronic transmission in which the actual signature is evident as a defense to the formation of a contract and each party forever waives such defense.

IN WITNESS WHEREOF, each of the undersigned have duly executed this Amendment under seal as of the date first set forth above.

FLEET NATIONAL BANK
individually and as Administrative Agent

By: /s/ Maria F. Maia
Name: Maria F. Maia
Title: Managing Director

Signature pages to Amendment No. 4

Bank of America, NA

By: /s/ Thomas F. Farley
Name: Thomas F. Farley
Title: Sr. Credit Products Manager

Signature pages to Amendment No. 4

LASALLE BANK NATIONAL ASSOCIATION

By: /s/ Shaun Kleinman
Name: Shaun Kleinman
Title: Vice President

Signature pages to Amendment No. 4

Citizens Bank of Massachusetts

By: /s/ Cindy Chen
Name: Cindy Chen
Title: Vice President

Signature pages to Amendment No. 4

Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services Inc.

By: /s/ Julia F. Maslanka
Name: Julia F. Maslanka
Title: Vice President

Signature pages to Amendment No. 4

BANKNORTH, N.A.

By: /s/ E. Kirke Hart
Name: E. Kirke Hart
Title: Regional Vice President

Signature pages to Amendment No. 4

Comerica Bank

By: /s/ Claudia M. Cassa
Name: Claudia M. Cassa
Title: Vice President

Signature pages to Amendment No. 4

Clydesdale CLO 2001-1, Ltd.

By: Nomura Corporate Research and Asset Management Inc. as Collateral Manager

By: /s/ Elizabeth MacLean
Name: Elizabeth MacLean
Title: Director

Signature pages to Amendment No. 4

Nomura Bond and Loan Fund

By: UFJ Trust Bank Limited
as Trustee

By: Nomura Corporate Research and Asset
Management Inc.
Attorney in Fact

By: /s/ Elizabeth MacLean
Name: Elizabeth MacLean
Title: Director

Signature pages to Amendment No. 4

Flagship CLO 2001-1

By: /s/ Mark S. Pelletier
Name: Mark S. Pelletier
Title: Director

Signature pages to Amendment No. 4

Flagship CLO II

By: /s/ Mark S. Pelletier
Name: Mark S. Pelletier
Title: Director

Signature pages to Amendment No. 4

SEMINOLE FUNDING LLC

By: /s/ Diana M. Himes
Name: Diana M. Himes
Title: Assistant Vice President

Signature pages to Amendment No. 4

HARBOUR TOWN FUNDING LLC

By: /s/ Diana M. Himes
Name: Diana M. Himes
Title: Assistant Vice President

Signature pages to Amendment No. 4

Sankaty Advisors, LLC as Collateral Manager
for Race Point II CLO, Limited, as Term Lender

By: /s/ Diane J. Exter
Name: Diane J. Exter
Title: Managing Director
Portfolio Manager

Sankaty Advisors, LLC as Collateral Manager
for Castle Hill I - INGOTS, Ltd., as Term
Lender

By: /s/ Diane J. Exter

Name: Diane J. Exter

Title: Managing Director
Portfolio Manager

Sankaty Advisors, LLC as Collateral Manager
for Castle Hill II - INGOTS, Ltd., as Term
Lender

By: /s/ Diane J. Exter
Name: Diane J. Exter
Title: Managing Director
Portfolio Manager

Sankaty Advisors, LLC as Collateral Manager
for Great Point CLO 1999-1 LTD., as Term
Lender

By: /s/ Diane J. Exter
Name: Diane J. Exter
Title: Managing Director
Portfolio Manager

Signature pages to Amendment No. 4

Sankaty Advisors, LLC as Collateral Manger for
AVERY POINT CLO, LTD., as Term Lender

By: /s/ Diane J. Exter
Name: Diane J. Exter
Title: Managing Director
Portfolio Manager

Sankaty Advisors, LLC as Collateral Manger for
Race Point CLO, Limited, as Term Lender

By: /s/ Diane J. Exter
Name: Diane J. Exter
Title: Managing Director
Portfolio Manager

Sankaty Advisors, LLC as Collateral Manger for
Castle Hill III CLO, Limited, as Term Lender

By: /s/ Diane J. Exter
Name: Diane J. Exter
Title: Managing Director
Portfolio Manager

Columbus Loan Funding Ltd.

By: Travelers Asset Management International Company

By: /s/ Ronald Carter
Name: Ronald Carter
Title: Vice President

Signature pages to Amendment No. 4

Fidelity Advisor Series II: Fidelity Advisor
Floating Rate High Income Fund

By: /s/ Frank Knox
Name: Frank Knox
Title: Assistant Treasurer

ELT LTD.

By: /s/ Diana M. Himes
Name: Diana M. Himes
Title: Authorized Agent

Signature pages to Amendment No. 4

Landmark CDO Limited

By: Aladdin Capital Management LLC
As Manager

By: /s/ Joseph Moroney
Name: Joseph Moroney, CFA
Title: Authorized Signatory

Signature pages to Amendment No. 4

Landmark II CDO Limited

By: Aladdin Capital Management LLC
As Manager

By: /s/ Joseph Moroney
Name: Joseph Moroney, CFA
Title: Authorized Signatory

Signature pages to Amendment No. 4

Landmark III CDO Limited

By: Aladdin Capital Management LLC
As Manager

By: /s/ Joseph Moroney
Name: Joseph Moroney, CFA
Title: Authorized Signatory

Signature pages to Amendment No. 4

LCM I Limited Partnership

By: Lyon Capital Management LLC, as
Collateral Manager

By: /s/ Fairbound Tavangar
Name: Fairbound Tavangar
Title: Senior Portfolio Manager

Signature pages to Amendment No. 4

Citigroup Investments Corporate Loan Fund Inc.

By: Travelers Asset Management
International Company LLC

By: /s/ Ronald Carter
Name: Ronald Carter
Title: Vice President

Signature pages to Amendment No. 4

CALYON NEW YORK BRANCH

By: /s/ Dianne M. Scott
Name: Dianne M. Scott
Title: Managing Director

By: /s/ F. Frank Herrera
Name: F. Frank Herrera
Title: Director

Venture II CDO, Limited

By: Its investment advisor MJX Asset Management LLC

By: /s/ Martin Davey
Name: Martin Davey
Title: Managing Director

Signature pages to Amendment No. 4

THE TRAVELERS INSURANCE COMPANY

By: /s/ Denise T. Duffee
Name: Denise T. Duffee
Title: Investment Officer

Signature pages to Amendment No. 4

BLUE SQUARE FUNDING LLC

By: /s/ John Pineiro
Name: John Pineiro
Title: Director

Signature pages to Amendment No. 4

BORROWERS:
CASELLA WASTE SYSTEMS, INC.
ALL CYCLE WASTE, INC.
ALTERNATE ENERGY, INC.
ATLANTIC COAST FIBERS, INC.
B. AND C. SANITATION CORPORATION
BLASDELL DEVELOPMENT GROUP, INC.
BRISTOL WASTE MANAGEMENT, INC.
CASELLA TRANSPORTATION, INC.
CASELLA WASTE MANAGEMENT OF MASSACHUSETTS, INC.
CASELLA WASTE MANAGEMENT OF N.Y., INC.
CASELLA WASTE MANAGEMENT OF PENNSYLVANIA, INC.
CASELLA WASTE MANAGEMENT, INC.
CV LANDFILL, INC.
DATA DESTRUCTION SERVICES, INC.
FAIRFIELD COUNTY RECYCLING, INC.
FCR CAMDEN, INC.
FCR FLORIDA, INC.
FCR GREENSBORO, INC.
FCR GREENVILLE, INC.
FCR MORRIS, INC.
FCR REDEMPTION, INC.
FCR TENNESSEE, INC.
FCR, INC.
FOREST ACQUISITIONS, INC.
GRASSLANDS INC.
HAKES C & D DISPOSAL, INC.
HARDWICK LANDFILL, INC.
HIRAM HOLLOW REGENERATION CORP.
K-C INTERNATIONAL, LTD.
KTI BIO FUELS, INC.
KTI ENVIRONMENTAL GROUP, INC.
KTI NEW JERSEY FIBERS, INC.
KTI OPERATIONS INC.
KTI RECYCLING OF NEW ENGLAND, INC.
KTI SPECIALTY WASTE SERVICES, INC.
KTI, INC.

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Vice President and Treasurer

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

MECKLENBURG COUNTY RECYCLING, INC.
NATURAL ENVIRONMENTAL, INC.
NEW ENGLAND WASTE SERVICES OF MASSACHUSETTS, INC.
NEW ENGLAND WASTE SERVICES OF ME, INC.
NEW ENGLAND WASTE SERVICES OF N.Y., INC.
NEW ENGLAND WASTE SERVICES OF VERMONT, INC.
NEW ENGLAND WASTE SERVICES, INC.
NEWBURY WASTE MANAGEMENT, INC.
NORTH COUNTRY ENVIRONMENTAL SERVICES, INC.
NORTHERN PROPERTIES CORPORATION OF PLATTSBURGH
NORTHERN SANITATION, INC.
PERC, INC.
PINE TREE WASTE, INC.
R.A. BRONSON INC.
RESOURCE RECOVERY OF CAPE COD, INC.
RESOURCE RECOVERY SYSTEMS OF SARASOTA, INC.
RESOURCE RECOVERY SYSTEMS, INC.
RESOURCE TRANSFER SERVICES, INC.
RESOURCE WASTE SYSTEMS, INC.
SCHULTZ LANDFILL, INC.
SUNDERLAND WASTE MANAGEMENT, INC.
U.S. FIBER, INC.
WASTE-STREAM INC.
WESTFIELD DISPOSAL SERVICE, INC.
WINTERS BROTHERS, INC.
WOOD RECYCLING, INC.

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Vice President and Treasurer

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

CASELLA NH INVESTORS CO., LLC

By: KTI, Inc., its sole member

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Vice President and Treasurer

CASELLA NH POWER CO., LLC

By: KTI, Inc., its sole member

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Vice President and Treasurer

CASELLA RTG INVESTORS CO., LLC

By: Casella Waste Systems, Inc., its sole member

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Chief Financial Officer and Treasurer

CWM ALL WASTE LLC

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Duly Authorized Agent

GROUNDCO LLC

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Duly Authorized Agent

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

THE HYLAND FACILITY ASSOCIATES

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Duly Authorized Agent

NEW ENGLAND LANDFILL SOLUTIONS, LLC

By: Rochester Environmental Park, LLC

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Duly Authorized Agent

NEWSME LANDFILL OPERATIONS LLC

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Duly Authorized Agent

ROCKINGHAM SAND & GRAVEL, LLC

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Duly Authorized Agent

TEMPLETON LANDFILL LLC

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Duly Authorized Agent

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

MAINE ENERGY RECOVERY COMPANY, LIMITED PARTNERSHIP

By: KTI Environmental Group, Inc., general partner

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Vice President and Treasurer

PERC MANAGEMENT COMPANY LIMITED PARTNERSHIP

By: PERC, Inc., general partner

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Vice President and Treasurer

ROCHESTER ENVIRONMENTAL PARK, LLC

By: /s/ Richard A. Norris
Name: Richard A. Norris
Title: Duly Authorized Agent

EXHIBIT 31.1

CERTIFICATIONS

I, John W. Casella, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Casella Waste Systems, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2004

By: /s/ John W. Casella
John W. Casella
Chief Executive Officer

EXHIBIT 31.2

<u>CERTIFICATIONS</u>

I, Richard A. Norris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Casella Waste Systems, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2004

By: /s/ Richard A. Norris
Richard A. Norris
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Casella Waste Systems, Inc. (the "Company) for the period ended October 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, John W. Casella, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2004

By: /s/ John W. Casella
John W. Casella
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Casella Waste Systems, Inc. (the "Company) for the period ended October 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Richard A. Norris, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2004

By: /s/ Richard A. Norris
Richard A. Norris
Chief Financial Officer