
**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 January 31, 2012

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of February 15, 2012:

Class A Common Stock, \$0.01 par value per share:	25,987,421
Class B Common Stock, \$0.01 par value per share:	988,200

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	January 31, 2012	April 30, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,131	\$ 1,817
Restricted cash	76	76
Accounts receivable - trade, net of allowance for doubtful accounts of \$1,355 and \$920	48,032	54,914
Refundable income taxes	1,284	—
Prepaid expenses	6,976	5,856
Inventory	3,830	3,461
Deferred income taxes	2,860	5,600
Other current assets	606	681
Total current assets	64,795	72,405
Property, plant and equipment, net of accumulated depreciation and amortization of \$667,776 and \$624,044	461,904	453,361
Goodwill	101,773	101,204
Intangible assets, net	3,139	2,455
Restricted assets	400	334
Notes receivable - related party/employee	721	1,297
Investments in unconsolidated entities	21,753	38,263
Other non-current assets	19,884	21,262
	<u>609,574</u>	<u>618,176</u>
	<u>\$ 674,369</u>	<u>\$ 690,581</u>

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

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

	January 31, 2012	April 30, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital leases	\$ 1,213	\$ 1,217
Current maturities of financing lease obligations	332	316
Accounts payable	45,252	42,499
Accrued payroll and related expenses	4,069	3,702
Accrued interest	8,470	9,776
Current accrued capping, closure and post-closure costs	4,668	1,702
Income taxes payable	—	3,786
Other accrued liabilities	20,186	20,923
Total current liabilities	84,190	83,921
Long-term debt and capital leases, less current maturities	470,837	461,418
Financing lease obligations, less current maturities	1,904	2,156
Accrued capping, closure and post-closure costs, less current portion	35,301	34,705
Deferred income taxes	4,133	5,578
Other long-term liabilities	11,644	8,816
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Casella Waste Systems, Inc. stockholders' equity:		
Class A common stock -		
Authorized - 100,000,000 shares, \$0.01 par value per share, issued and outstanding - 25,987,000 and 25,589,000 shares as of January 31, 2012 and April 30, 2011, respectively	260	256
Class B common stock -		
Authorized - 1,000,000 shares, \$0.01 par value per share, 10 votes per share, issued and outstanding - 988,000 shares as of January 31, 2012 and April 30, 2011, respectively	10	10
Accumulated other comprehensive (loss) income	(2,054)	378
Additional paid-in capital	287,810	285,992
Accumulated deficit	(221,110)	(192,649)
Total Casella Waste Systems, Inc. stockholders' equity	64,916	93,987
Noncontrolling interest	1,444	—
Total stockholders' equity	66,360	93,987
	\$ 674,369	\$ 690,581

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

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

(Unaudited)
(in thousands)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2012	2011	2012	2011
Revenues	\$ 114,578	\$ 111,627	\$ 371,637	\$ 356,515
Operating expenses:				
Cost of operations	81,398	76,933	253,248	237,584
General and administration	13,933	14,832	46,202	46,446
Depreciation and amortization	14,827	13,573	44,394	44,776
Legal settlement	—	—	1,359	—
Development project charge	—	—	131	—
Gain on sale of assets	—	—	—	(3,502)
	<u>110,158</u>	<u>105,338</u>	<u>345,334</u>	<u>325,304</u>
Operating income	4,420	6,289	26,303	31,211
Other expense/(income), net:				
Interest income	(20)	(15)	(32)	(41)
Interest expense	11,528	11,663	33,897	35,073
Loss (income) from equity method investments	6,383	(102)	10,163	2,536
Impairment of equity method investment	10,680	—	10,680	—
Loss on debt modification	—	115	—	115
Other income	(117)	(78)	(549)	(490)
Other expense, net	<u>28,454</u>	<u>11,583</u>	<u>54,159</u>	<u>37,193</u>
Loss from continuing operations before income taxes and discontinued operations	(24,034)	(5,294)	(27,856)	(5,982)
Provision for income taxes	601	1,079	1,330	2,139
Loss from continuing operations before discontinued operations	(24,635)	(6,373)	(29,186)	(8,121)
Discontinued operations:				
Income (loss) from discontinued operations (net of income tax benefit of \$0, \$7, \$0, \$7)	—	1,376	—	(316)
(Loss) gain on disposal of discontinued operations (net of income tax provision of \$0, \$0, \$489 and \$0)	—	(1,368)	725	(1,984)
Net loss attributable to common stockholders	<u>\$ (24,635)</u>	<u>\$ (6,365)</u>	<u>\$ (28,461)</u>	<u>\$ (10,421)</u>

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

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

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2012	2011	2012	2011
Basic and diluted earnings per share:				
Loss from continuing operations before discontinued operations	\$ (0.92)	\$ (0.24)	\$ (1.09)	\$ (0.31)
Income (loss) from discontinued operations, net	—	0.05	—	(0.01)
(Loss) gain on disposal of discontinued operations, net	—	(0.05)	0.02	(0.08)
Net loss per common share	<u>\$ (0.92)</u>	<u>\$ (0.24)</u>	<u>\$ (1.07)</u>	<u>\$ (0.40)</u>
Average common shares outstanding:				
Basic and diluted	<u>26,822</u>	<u>26,115</u>	<u>26,715</u>	<u>26,026</u>

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

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

(Unaudited)
(in thousands)

	Nine Months Ended January 31,	
	2012	2011
Cash Flows from Operating Activities:		
Net loss attributable to common stockholders	\$ (28,461)	\$ (10,421)
Adjustments to reconcile net loss to net cash provided by operating activities -		
Loss from discontinued operations, net	—	316
(Gain) loss on disposal of discontinued operations, net	(725)	1,984
Gain on sale of assets	—	(3,502)
Gain on sale of property and equipment	(902)	(399)
Depreciation and amortization	44,394	44,776
Depletion of landfill operating lease obligations	6,570	6,013
Interest accretion on landfill and environmental remediation liabilities	2,613	2,487
Development project charges	131	—
Amortization of premium on senior subordinated notes	—	(584)
Amortization of discount on term loan and second lien notes	712	683
Loss from equity method investments	10,163	2,536
Impairment of equity method investment	10,680	—
Loss on debt modification	—	115
Stock-based compensation	1,307	2,052
Excess tax benefit on the vesting of share based awards	(254)	(122)
Deferred income taxes	1,548	1,827
Changes in assets and liabilities, net of effects of acquisitions and divestitures -		
Accounts receivable	6,882	3,767
Accounts payable	2,753	(197)
Prepaid expenses, inventories and other assets	(758)	483
Accrued expenses and other liabilities	(6,911)	(5,956)
Net Cash Provided By Operating Activities	49,742	45,858
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	(2,102)	—
Additions to property, plant and equipment attributable to acquisitions	(168)	—
Additions to property, plant and equipment - growth	(9,833)	(1,175)
- maintenance	(39,279)	(40,268)
Payments on landfill operating lease contracts	(6,052)	(4,977)
Proceeds from sale of assets	—	7,533
Proceeds from sale of property and equipment	1,337	631
Investments in unconsolidated entities	(4,146)	—
Net Cash Used In Investing Activities	(60,243)	(38,256)
Cash Flows from Financing Activities:		
Proceeds from long-term borrowings	127,900	134,100
Principal payments on long-term debt	(119,433)	(136,349)
Payments of financing costs	(142)	(340)
Proceeds from exercise of share based awards	337	412
Excess tax benefit on the vesting of share based awards	254	122
Contributions from noncontrolling interest holder	174	—
Net Cash Provided By (Used In) Financing Activities	9,090	(2,055)
Discontinued Operations:		
Net cash provided by operating activities	—	3,246
Net cash provided by (used in) investing activities	725	(1,905)
Net cash used in financing activities	—	(3,392)
Net Cash Provided By (Used In) Discontinued Operations	725	(2,051)
Net (decrease) increase in cash and cash equivalents	(686)	3,496
Cash and cash equivalents, beginning of period	1,817	2,035
Cash and cash equivalents, end of period	\$ 1,131	\$ 5,531

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

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

	Nine Months Ended January 31,	
	2012	2011
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for -		
Interest	\$ 31,952	\$ 32,124
Income taxes, net of refunds	\$ 5,314	\$ 142
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Summary of entities acquired in purchase business combinations -		
Fair value of assets acquired	\$ 2,284	\$ —
Cash paid, net	\$ 2,102	\$ —
Holdbacks to sellers	\$ 182	\$ —
Equipment contributed by noncontrolling interest	\$ 1,270	\$ —

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

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

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Casella Waste Systems, Inc. (the "Parent") and its subsidiaries and an entity in which it has a controlling financial interest (collectively, "we", "us" or "our"). For the consolidated subsidiary that is less than wholly owned, the third-party holding of equity interests is referred to as a noncontrolling interest. The portion of net income (loss) attributable to the noncontrolling interest of this subsidiary will be presented as Net income (loss) attributable to noncontrolling interest once operations begin. The portion of stockholders' equity of this subsidiary attributable to the noncontrolling interest is presented as Noncontrolling interest in the unaudited consolidated balance sheets.

We are a regional, integrated solid waste services company that provides collection, transfer, disposal, landfill, landfill gas-to-energy, recycling and organics services, in the northeastern United States. We market recyclable metals, aluminum, plastics, paper and corrugated cardboard, which have been processed at our recycling facilities, as well as recyclables purchased from third parties. We also generate and sell electricity under a contract at a waste-to-energy facility, Maine Energy Recovery Company LP ("Maine Energy"). We manage our solid waste operations on a geographic basis through two regional operating segments, the Eastern and Western regions, each of which includes a full range of solid waste services, and our larger-scale, non-solid waste recycling and commodity brokerage operations through our Recycling segment. Ancillary operations, major customer accounts, discontinued operations and earnings from equity method investees are included in our Other segment.

The consolidated balance sheet as of January 31, 2012, the consolidated statements of operations for the three and nine months ended January 31, 2012 and 2011 and the consolidated statements of cash flows for the nine months ended January 31, 2012 and 2011 are unaudited. In the opinion of management, such unaudited consolidated financial statements, together with the consolidated balance sheet as of April 30, 2011, 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 preparation of our unaudited consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Our significant accounting policies are more fully discussed in Item 8 of our Annual Report on Form 10-K for the year ended April 30, 2011, which was filed with the Securities and Exchange Commission (the "SEC") on June 20, 2011. The unaudited consolidated financial statements presented herein should be read in conjunction with our audited consolidated financial statements as of and for the twelve months ended April 30, 2011 included in our Annual Report on Form 10-K for the year ended April 30, 2011. The results for the three and nine months ended January 31, 2012 may not be indicative of the results that may be expected for any other interim period or the fiscal year ending April 30, 2012.

We consider events or transactions that have occurred after the unaudited consolidated balance sheet date of January 31, 2012, but prior to the filing of the unaudited consolidated financial statements with the SEC on this Form 10-Q, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure, as applicable. Subsequent events have been evaluated through the date of the filing of this Quarterly Report on Form 10-Q with the SEC.

Adoption of New Accounting Pronouncements

Goodwill Impairment Test

In December 2010, the Financial Accounting Standards Board (the "FASB") issued an accounting standards update which modifies the requirements of Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. This guidance was effective for fiscal years beginning after December 15, 2010. We adopted this guidance effective May 1, 2011 with no impact on our consolidated financial position or results of operations. We annually assess goodwill impairment at the end of the fourth quarter of our fiscal year, or if events or circumstances change between annual tests indicating a possible impairment.

New Accounting Pronouncements Pending Adoption

Goodwill Impairment Test

In September 2011, the FASB issued an accounting standards update on goodwill impairment testing. This guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal

years beginning after December 15, 2011 with early adoption permitted. We anticipate that it will not have a material impact on our consolidated financial position or results of operations.

Fair Value Measurements and Disclosures

In May 2011, the FASB issued an accounting standards update on fair value disclosures. This guidance is intended to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) and International Financial Reporting Standards (“IFRS”). This guidance is effective for the first interim or annual reporting period beginning after December 15, 2011, and we anticipate that it will not have a material impact on our consolidated financial position or results of operations.

Other Comprehensive Income

In June 2011, the FASB issued an accounting standards update for the presentation of comprehensive income. This guidance requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance will only impact the presentation of our financial statements and will not impact our consolidated financial position or results of operations.

In October 2011, the FASB proposed a deferral of a portion of the guidance issued in June 2011 that requires reclassification adjustments from other comprehensive income be measured and presented by income statement line item in net income and also in other comprehensive income. The proposed deferral of this guidance was finalized by the FASB in December 2011. The deferral is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

Disclosures About Offsetting Assets and Liabilities

In December 2011, the FASB issued an accounting standards update regarding the disclosure of offsetting assets and liabilities in financial statements. This guidance requires an entity to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The objective of this disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. This guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods, and will only impact the presentation of our financial statements and will not impact our consolidated financial position or results of operations.

2. BUSINESS ACQUISITIONS

During the nine months ended January 31, 2012, we acquired five solid waste hauling operations and completed the acquisition of the McKean County landfill business in Pennsylvania by acquiring additional equipment not included in the original transaction for total consideration of \$2,284, including \$2,102 in cash and \$182 in holdbacks to sellers. During the nine months ended January 31, 2011, there were no business acquisitions. The operating results of these businesses are included in the accompanying unaudited consolidated statements of operations from the dates of acquisition, and the purchase prices have been allocated to the net assets acquired based on fair values at the dates of acquisition, with the residual amounts allocated to goodwill. Acquired intangible assets other than goodwill that are subject to amortization include client lists and non-compete covenants. These are amortized over a five to ten year period from the date of acquisition. All amounts allocated to goodwill are expected to be deductible for tax purposes. The purchase price allocated to net assets acquired during the nine months ended January 31, 2012 and 2011 is as follows:

	January 31,	
	2012	2011
Equipment	\$ 605	\$ —
Goodwill	569	—
Intangible assets	1,136	—
Current liabilities	(26)	—
Total	<u>\$ 2,284</u>	<u>\$ —</u>

The following unaudited pro forma combined financial information shows the results of our operations for the three and nine months ended January 31, 2012 and 2011 as though each of the acquisitions made in the nine months ended January 31, 2012 and the twelve months ended April 30, 2011 had occurred as of May 1, 2010.

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2012	2011	2012	2011
Revenue	\$ 114,833	\$ 113,184	\$ 372,710	\$ 361,186
Operating income	\$ 4,433	\$ 6,487	\$ 26,362	\$ 31,806
Net loss attributable to common stockholders	\$ (24,641)	\$ (6,279)	\$ (28,482)	\$ (10,163)
Basic and diluted net loss per common share attributable to common stockholders	\$ (0.92)	\$ (0.24)	\$ (1.07)	\$ (0.39)
Basic and diluted weighted average shares outstanding	26,822	26,115	26,715	26,026

The pro forma results set forth in the table above have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the acquisitions occurred as of May 1, 2010 or the results of our future operations. Furthermore, the pro forma results do not give effect to all cost savings or incremental costs that may occur as a result of the integration and consolidation of the completed acquisitions.

3. GOODWILL AND INTANGIBLE ASSETS

The following table shows the activity and balances related to goodwill from April 30, 2011 through January 31, 2012:

	April 30, 2011	Acquisitions	January 31, 2012
Eastern region	\$ 38	\$ 22	\$ 60
Western region	88,976	547	89,523
Recycling	12,190	—	12,190
Total	<u>\$ 101,204</u>	<u>\$ 569</u>	<u>\$ 101,773</u>

Intangible assets as of January 31, 2012 and April 30, 2011 consist of the following:

	Covenants Not to Compete	Client Lists	Total
Balance, January 31, 2012			
Intangible assets	\$ 15,601	\$ 3,093	\$ 18,694
Less accumulated amortization	(14,229)	(1,326)	(15,555)
	<u>\$ 1,372</u>	<u>\$ 1,767</u>	<u>\$ 3,139</u>
Balance, April 30, 2011			
Intangible assets	\$ 15,076	\$ 2,474	\$ 17,550
Less accumulated amortization	(13,966)	(1,129)	(15,095)
	<u>\$ 1,110</u>	<u>\$ 1,345</u>	<u>\$ 2,455</u>

Intangible amortization expense for the three and nine months ended January 31, 2012 and 2011 was \$156, \$204, \$460 and \$636, respectively. The intangible amortization expense estimated for the five fiscal years following fiscal year 2011 and thereafter is as follows:

2012	2013	2014	2015	2016	Thereafter
\$ 688	\$ 651	\$ 603	\$ 552	\$ 372	\$ 733

4. ACCRUED CAPPING, CLOSURE AND POST CLOSURE

Accrued capping, closure and post-closure costs include the current and non-current portion of costs associated with obligations for closure and post-closure of our landfills. We estimate our future capping, closure and post-closure costs in order to determine the capping, closure and post-closure expense per ton of waste placed into each landfill. The anticipated timeframe for paying these costs varies based on the remaining useful life of each landfill, as well as the duration of the post-closure monitoring period. The changes to accrued capping, closure and post-closure liabilities for the nine months ended January 31, 2012 and 2011 are as follows:

	Nine Months Ended January 31,	
	2012	2011
Beginning balance	\$ 36,407	\$ 40,002
Obligations incurred	2,350	2,188
Revisions in estimates (1)	—	(1,120)
Accretion expense	2,510	2,384
Payments	(1,298)	(6,140)
Ending balance	<u>\$ 39,969</u>	<u>\$ 37,314</u>

- (1) The revision in estimates for capping, closure and post-closure for the nine months ended January 31, 2011 consists of changes in cost estimates and timing of capping and closure events, as well as changes to expansion airspace and tonnage placement assumptions.

5. LONG-TERM DEBT

For the quarter ending April 30, 2012, the Total Funded Debt/Bank-defined cash flow metric covenant requirement will be reduced under the terms of our amended and restated senior secured credit facility (the "2011 Revolver") from a maximum of 4.75 to a maximum of 4.50. Based on the low end of the range of results forecasted by us for the quarter ending April 30, 2012, we have been working with our lenders to amend the terms of the 2011 Revolver to give us additional flexibility under this covenant. We believe that we will be able to procure such an amendment at a reasonable cost.

On February 1, 2012, we converted the interest rate period on, and remarketed, \$21,400 aggregate principal amount of \$25,000 Finance Authority of Maine (the "Authority") Solid Waste Disposal Revenue Bonds Series 2005 (the "Bonds"). The mandatorily tendered Bonds (the "Converted Bonds") were converted from a variable rate to a five year fixed term interest rate of 6.25% per annum and included credit support for the benefit of the holders of those Converted Bonds, including guarantees by certain of our subsidiaries. The Converted Bonds are no longer secured by a bank letter of credit. The remaining \$3,600 of outstanding Bonds will remain as variable rate bonds secured by a bank letter of credit. The Bonds were originally issued on December 28, 2005 and mature on January 1, 2025. We expect to record a charge of approximately \$300 as a loss on debt extinguishment in the fourth quarter of fiscal year 2012 related primarily to the non-cash write off of unamortized deferred financing costs associated with the original issuance of the Bonds.

6. CONTINGENCIES

- (a) Legal Proceedings

In the ordinary course of our business and as a result of the extensive governmental regulation of the solid waste industry, we are subject to various judicial and administrative proceedings involving federal, state or local agencies. In these proceedings, an agency may seek to impose fines or to revoke or deny renewal of an operating permit held by us. From time to time, we may also be subject to actions brought by special interest or other groups, adjacent landowners or residents in connection with the permitting and licensing of landfills and transfer stations, or alleging environmental damage or violations of the permits and licenses pursuant to which we operate. In addition, we are party to various claims and suits pending for alleged damages to persons and property, alleged violations of certain laws and alleged liabilities arising out of matters occurring during the normal operation of the waste management business.

In accordance with Accounting Standard Codification ("ASC") 450-20, we accrue for legal proceedings when losses become probable and reasonably estimable. As of the end of each applicable reporting period, we review each of our legal proceedings to determine whether it is probable, reasonably possible or remote that a liability has been incurred and, if it is at least reasonably possible, whether a range of loss can be reasonably estimated under the provisions of ASC 450-20-25-2. In instances where we determine that a loss is probable and we can reasonably estimate a range of losses we may incur with respect to such a matter, we record an accrual for the amount within the range that constitutes our best estimate of the possible loss. If we are able to reasonably estimate a range but no amount within the range appears to be a better estimate than any other, we record an accrual in the amount that is the low end of such range. When a loss is reasonably possible, but not probable, we will not record an accrual but we will disclose our estimate of the possible range of loss where such estimate can be made in accordance with ASC 450-20-25-3.

We offer no prediction of the outcome of any of the proceedings or negotiations described below. We are vigorously defending each of these lawsuits and claims. However, there can be no guarantee we will prevail or that any judgments against us, if sustained on appeal, will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

Town of Seneca Matter

Casella Waste Services of Ontario, LLC operates the Ontario County Landfill and recycling facilities located in the Town of Seneca (the "Town"), New York, pursuant to an Operation, Management and Lease Agreement with Ontario County (the "OMLA"), and a Host Agreement with the Town of Seneca (the "Host Agreement").

On May 6, 2011, the Town filed a complaint in Ontario County Supreme Court naming Ontario County (the "County") and various entities of ours as defendants, alleging that we and the County breached obligations to the Town under both the Host Agreement and the OMLA. The Town's complaint alleged a variety of contract breaches stemming from our decision to pay the County stipulated in-lieu fees for certain projects described in the OMLA rather than constructing those projects. In September 2011, we, the County and the Town executed a global settlement, and the Town's suit was dismissed with prejudice. Under the terms of the settlement, we provided certain construction materials to the Town valued at \$99 and engineering studies completed to date valued at \$260, thus recording a charge against operations amounting to \$359 in the second quarter of fiscal year 2012. We also established a protection plan whereby we agree to reimburse certain Town residents for approved costs to repair septic systems. Our exposure under this protection plan shall not exceed \$75.

Vermont Attorney General Matter

We entered into an Assurance of Discontinuance ("AOD") with the Vermont Attorney General's Office ("AG") on or about May 17, 2002, concerning, among other matters, the conduct of our business in Vermont as related to certain contract terms applicable to our small commercial container customers. On March 23, 2010, we received a Civil Investigative Subpoena ("CIS") from the AG requesting information and documents regarding our compliance with the AOD. In the course of responding to the AG's requests, we discovered that some of our small commercial container customers were mistakenly issued contracts which did not strictly comply with the terms of the AOD. This error occurred during a one year period starting in 2009 and ending in 2010, and only a portion of our small commercial container customers in Vermont were affected. We terminated the use of these noncompliant contracts, and issued revised contracts to those affected customers. We had not sought to enforce the terms of any of these contracts.

We worked with the AG to resolve these technical violations of the AOD, and reached an agreement on August 12, 2011 with the AG for us to pay a civil penalty in the amount of \$1,000, in staged payments starting in September 2011, and concluding on December 30, 2011. This amount was recorded in the first quarter of fiscal year 2012 and all payments to the AG have been timely made by us. A Revised Final Judgment of Consent and Order was entered on August 15, 2011 (the "Revised Order") by the Vermont Superior Court Washington Unit, Civil Division. The Revised Order extended some of the conditions of the AOD for ten years from entry of the Revised Order, and requires us to institute certain policies, procedures and employee training regimens applicable to our affected Vermont employees to ensure that all contracts used by us for the provision of services to our small commercial container customers comply with the AOD.

Penobscot Energy Recovery Company Matter

On May 31, 2011 we received formal written notice from the Penobscot Energy Recovery Company ("PERC") submitting to arbitration what it alleges is a disputed invoice in the amount of approximately \$3,195 dated March 2, 2011. PERC contended that Pine Tree Waste, Inc., our subsidiary, failed since 2001 to honor a "put-or-pay" waste disposal arrangement. Arbitration of this matter was initiated, but in January 2012 a global settlement was reached in principle and memorialized in a letter of intent dated February 1, 2012, which documented the final terms of the settlement and dismissal of the arbitration action. If necessary, we will aggressively defend against this claim in arbitration and/or the courts. Pursuant to the terms of the settlement no cash payout is required. We anticipate that there may be nonmaterial incremental operational expenses that arise from implementing the terms of the settlement with regard to waste deliveries. We believe that until the terms of the settlement are fully agreed upon and executed and the arbitration dismissed, a loss in the range of \$0 to \$3,195 is still reasonably possible but not probable.

(b) Tax Matters

During the third quarter of fiscal year 2011, we received an income tax assessment from the State of New York for the fiscal years ending April 30, 2004 through April 30, 2006 of \$3,852, which includes \$1,632 in interest and penalties related to the filing of combined returns in the state. The assessment is currently under appeal. Under ASC 740, we believe our position will more likely than not be successful in contesting the assessment and consequently, we have not established any reserve.

(c) Environmental Liability

We are subject to liability for environmental damage, including personal injury and property damage, that our 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 we acquired the facilities. We may also be subject to liability for similar claims arising from off-site environmental contamination caused by pollutants or hazardous substances if we or our predecessors arrange or arranged to transport, treat or dispose of those materials.

On December 20, 2000, the State of New York Department of Environmental Conservation (“DEC”) issued an Order on Consent (“Order”) which named Waste-Stream, Inc. (“WSI”), our subsidiary, General Motors Corporation (“GM”) and Niagara Mohawk Power Corporation (“NiMo”) as Respondents. The Order required that the Respondents undertake certain work on a 25-acre scrap yard and solid waste transfer station owned by WSI, including the drafting of a Remedial Investigation and Feasibility Study (the “Study”). A draft of the Study was submitted to DEC in January 2009 (followed by a final report in May 2009). The Study estimates that the undiscounted costs associated with implementing the preferred remedies will be approximately \$10,219 and it is unlikely that any costs relating to onsite remediation will be incurred until fiscal year 2012. On February 28, 2011, the DEC issued a Proposal Remedial Action Plan (the “PRAP”) for the site and accepted public comments on the proposed remedy through March 29, 2011. We submitted extensive comments. In April 2011, the DEC issued the final Record of Decision (“ROD”) for the site. The ROD was subsequently rescinded for failure to respond to all submitted comments. The preliminary ROD, however, estimated that the present worth cost associated with implementing the preferred remedies would be approximately \$12,130. The DEC issued the final ROD in June 2011 with proposed remedies consistent with the earlier ROD that had been rescinded.

WSI is jointly and severally liable for the total cost to remediate and we initially expected to be responsible for approximately 30% upon implementation of a cost-sharing agreement with NiMo and GM. Based on these estimates, we recorded an environmental remediation charge of \$2,823 in the third quarter of fiscal year 2009. In the fourth quarter of fiscal year 2009, we recognized an additional charge of \$1,532, representing an additional 15% of the estimated costs, in recognition of the deteriorating financial condition and eventual bankruptcy filing of GM. In the fourth quarter of fiscal year 2010, we recognized an additional charge of \$335 based on changes in the expected timing of cash outflows. Based on the estimated costs in the ROD, and changes in the estimated timing of cash flows, we recorded an environmental remediation charge of \$549 in the fourth quarter of fiscal year 2011. Such charges could be significantly higher if costs exceed estimates. We inflate these estimated costs in current dollars until the expected time of payment and discount the cost to present value using a risk free interest rate (2.31%). At January 31, 2012 and April 30, 2011, we have recorded \$5,188 and \$5,147, respectively, related to this liability including the recognition of \$34, \$34, \$103 and \$103 of accretion expense in the three and nine months ended January 31, 2012 and 2011, respectively.

In September 2011, DEC settled its environmental claim against the estate of the former GM (known as the “Motors Liquidation Trust”) for future remediation costs relating to the WSI site for face value of \$3,000. In addition, in November 2011 we settled our own claim against the Motors Liquidation Trust for face value of \$100. These claims will, however, be paid in stocks and warrants of the “new” GM. There is at this time no way to accurately estimate when these claims will be paid or what the value of the actual recovery will be and we have not assumed that the payment of these claims will materially reduce our exposure.

7. NONCONTROLLING INTEREST

In September 2011, we entered into a joint venture with Altela, Inc. to form Casella-Altela Regional Environmental Services, LLC (“CARES”), a joint venture that develops, owns and operates water and leachate treatment projects for the natural gas drilling industry in Pennsylvania and New York. As a part of the joint venture, we retained a 51% membership interest in CARES in exchange for an initial cash contribution to CARES of \$1,322. Altela, Inc. made an initial contribution of equipment valued at \$1,270 and retained a 49% membership interest in CARES. In the three months ended January 31, 2012, we and Altela, Inc. made additional cash contributions, in line with our membership interests, of \$181 and \$174, respectively, for the purchase of additional equipment. Income and losses are to be allocated to members based on membership interest percentage.

In accordance with ASC 810-10-15, we consolidate the assets, liabilities, noncontrolling interest, and results of operations of CARES into our consolidated financial statements due to our controlling financial interest in the joint venture. As of January 31, 2012, the noncontrolling interest associated with CARES relates solely to investments in the joint venture made by Altela, Inc. as no operational activity has commenced.

The change in stockholders' equity for the three and nine months ended January 31, 2012 is as follows:

	Three Months Ended January 31, 2012		
	Casella Waste Systems, Inc.	Noncontrolling Interest	Total
Beginning balance	\$ 91,325	\$ 1,270	\$ 92,595
Issuance of Class A common stock from the vesting of restricted stock units and the employee stock purchase plan	173	—	173
Stock-based compensation expense	(59)	—	(59)
Contributions from noncontrolling interest holder	—	174	174
Net loss	(24,635)	—	(24,635)
Change in fair value of commodity hedges, marketable securities, and interest rate derivatives, net and reclassification adjustments	(1,888)	—	(1,888)
Total comprehensive loss	(26,523)	—	(26,523)
Ending balance	\$ 64,916	\$ 1,444	\$ 66,360

	Nine Months Ended January 31, 2012		
	Casella Waste Systems, Inc.	Noncontrolling Interest	Total
Beginning balance	\$ 93,987	\$ —	\$ 93,987
Issuance of Class A common stock from the vesting of restricted stock units and the employee stock purchase plan	515	—	515
Stock-based compensation expense	1,307	—	1,307
Contributions from noncontrolling interest holder	—	1,444	1,444
Net loss	(28,461)	—	(28,461)
Change in fair value of commodity hedges, marketable securities, and interest rate derivatives, net and reclassification adjustments	(2,432)	—	(2,432)
Total comprehensive loss	(30,893)	—	(30,893)
Ending balance	\$ 64,916	\$ 1,444	\$ 66,360

8. STOCK-BASED COMPENSATION

In June 2011, we granted an equal number of restricted stock units and performance stock units under the 2006 Stock Incentive Plan (the "2006 Plan") to certain employees. The vesting of the performance stock units is based on our attainment of targeted annual returns on net assets in fiscal year 2014 and the vesting of the restricted stock units is based on continued employment over a three year period beginning on the grant date. As of January 31, 2012, the performance stock units included in the June 2011 grant could result in the issuance of up to 365 shares of Class A Common Stock based on the attainment of a targeted maximum annual return on net assets in fiscal year 2014 and the restricted stock units could result in the issuance of an aggregate of up to 243 shares of Class A Common Stock based on continued employment over the remainder of the three year service period. The performance stock units and the restricted stock units were granted at a grant date fair value of \$6.06 per share.

As of January 31, 2012 there were 819 Class A Common Stock equivalents available for future grant under the 2006 Plan inclusive of additional Class A Common Stock equivalents which were previously issued under our terminated plans but which have become available for grant because such awards expired or otherwise resulted in shares not being issued.

Stock options granted generally vest over a one to four year period from the date of grant and are granted at prices equal to the prevailing fair market value at the issue date. In general, stock options are issued with a life not to exceed ten years. Shares issued by us upon exercise of stock options are issued from the pool of authorized shares of Class A Common Stock.

A summary of stock option activity for the nine months ended January 31, 2012 is as follows:

	<u>Stock Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, April 30, 2011	2,254	\$ 10.89
Granted	—	\$ —
Exercised	—	\$ —
Forfeited	(455)	\$ 11.46
Outstanding, January 31, 2012	<u>1,799</u>	<u>\$ 10.75</u>
Exercisable, January 31, 2012	<u>1,626</u>	<u>\$ 11.49</u>

A summary of restricted stock, restricted stock unit and performance stock unit activity for the nine months ended January 31, 2012 is as follows:

	<u>Restricted Stock / Restricted Stock Units</u>	<u>Performance Stock Units (1)</u>
Outstanding, April 30, 2011	825	805
Granted	344	255
Class A Common Stock Vested	(357)	—
Forfeited	(36)	(60)
Outstanding, January 31, 2012	<u>776</u>	<u>1,000</u>

(1) Performance stock units are included at the 100% attainment level. Attainment of maximum annual returns on net assets could result in the issuance of an additional 613 shares of Class A Common Stock.

We recorded (\$91), \$656, \$1,222, and \$1,956 of stock-based compensation expense related to stock options, performance stock units, restricted stock units and restricted stock, respectively, during the three and nine months ended January 31, 2012 and 2011. We also recorded \$33, \$49, \$85, and \$96 of stock-based compensation expense related to our Employee Stock Purchase Plan during the three and nine months ended January 31, 2012 and 2011, respectively.

Stock-based compensation expense is included in general and administration expenses in the unaudited consolidated statements of operations. The unrecognized stock-based compensation expense at January 31, 2012 related to unvested stock options, restricted stock and restricted stock units was \$2,547, to be recognized over a weighted average period of 1.48 years. Maximum unrecognized stock-based compensation expense at January 31, 2012 related to outstanding performance stock units, and subject to the attainment of targeted maximum annual returns on net assets, was \$5,644, to be recognized over a weighted average period of 0.98 years. We do not expect to recognize any expense related to outstanding performance stock units over the weighted average period based on our expectation that we will not meet our attainment levels as of January 31, 2012.

Our calculations of stock-based compensation expense associated with stock options and our Employee Stock Purchase Plan for the three and nine months ended January 31, 2012 and 2011 were made using the Black-Scholes valuation model. The fair values of our stock option grants and stock options related to shares issued under our Employee Stock Purchase Plan were estimated assuming no expected dividend yield using the following weighted average assumptions for the three and nine months ended January 31, 2012 and 2011:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2012	2011	2012	2011
Stock Options:				
Expected life	—	—	—	6.53 years
Risk-free interest rate	—	—	—	1.80%
Expected volatility	—	—	—	85.59%
Stock Purchase Plan:				
Expected life	0.5 years	0.5 years	0.5 years	0.5 years
Risk-free interest rate	0.06%	0.19%	0.12%	0.21%
Expected volatility	53.78%	44.24%	47.54%	47.15%

Expected life is calculated based on the weighted average historical life of the vested stock options, giving consideration to vesting schedules and historical exercise patterns. Risk-free interest rate is based on the U.S. treasury yield curve for the period of the expected life of the stock option. Expected volatility is calculated using the average of weekly historical volatility of our Class A Common Stock over the expected life.

The Black-Scholes valuation model requires extensive use of accounting judgment and financial estimation, including estimates of the expected term option holders will retain their vested stock options before exercising them, the estimated volatility of our Class A Common Stock price over the expected term, and the number of stock options that will be forfeited prior to the completion of their vesting requirements. Application of alternative assumptions could produce significantly different estimates of the fair value of stock-based compensation and consequently, the related amounts recognized in the consolidated statements of operations.

9. EARNINGS PER SHARE

The following table sets forth the numerator and denominator used in the computation of basic and diluted earnings per share (“EPS”):

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2012	2011	2012	2011
Numerator:				
Loss from continuing operations before discontinued operations attributable to common stockholders	\$ (24,635)	\$ (6,373)	\$ (29,186)	\$ (8,121)
Denominator:				
Number of shares outstanding, end of period:				
Class A common stock	25,987	25,317	25,987	25,317
Class B common stock	988	988	988	988
Unvested restricted stock	(127)	(141)	(127)	(141)
Effect of weighted average shares outstanding during period	(26)	(49)	(133)	(138)
Weighted average number of common shares used in basic and diluted EPS	<u>26,822</u>	<u>26,115</u>	<u>26,715</u>	<u>26,026</u>

For the three and nine months ended January 31, 2012 and 2011, 2,576 and 4,357 shares of potential common stock related to restricted stock, restricted stock units, performance stock units, and stock options were excluded from the calculation of dilutive shares since we experienced a loss from continuing operations in each fiscal year period and the inclusion of potential shares would be anti-dilutive.

10. COMPREHENSIVE LOSS

Comprehensive loss 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 (loss) income included in the accompanying unaudited consolidated balance sheets consists of changes in the fair value of our interest rate and commodity

hedges, our marketable securities, as well as our portion of the changes in fair value of US GreenFiber LLC's ("GreenFiber") commodity hedge agreements.

Comprehensive loss for the three and nine months ended January 31, 2012 and 2011 is as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2012	2011	2012	2011
Net loss attributable to common stockholders	\$ (24,635)	\$ (6,365)	\$ (28,461)	\$ (10,421)
Other comprehensive (loss) income	(1,888)	269	(2,432)	711
Comprehensive loss	<u>\$ (26,523)</u>	<u>\$ (6,096)</u>	<u>\$ (30,893)</u>	<u>\$ (9,710)</u>

The components of other comprehensive (loss) income for the three and nine months ended January 31, 2012 and 2011 are shown as follows:

	Three Months Ended January 31,					
	2012		2011		2011	
	Gross	Tax effect	Net of Tax	Gross	Tax effect	Net of Tax
Changes in fair value of marketable securities during the period	\$ (16)	\$ —	\$ (16)	\$ (1)	\$ —	\$ (1)
Change in fair value of interest rate and commodity hedges during the period	(1,981)	—	(1,981)	56	(251)	307
Reclassification to earnings for commodity hedge contracts during the period	109	—	109	10	47	(37)
	<u>\$ (1,888)</u>	<u>\$ —</u>	<u>\$ (1,888)</u>	<u>\$ 65</u>	<u>\$ (204)</u>	<u>\$ 269</u>
	Nine Months Ended January 31,					
	2012		2011		2011	
	Gross	Tax effect	Net of Tax	Gross	Tax effect	Net of Tax
Changes in fair value of marketable securities during the period	\$ (27)	\$ —	\$ (27)	\$ (21)	\$ —	\$ (21)
Change in fair value of interest rate and commodity hedges during the period	(1,699)	99	(1,798)	182	(832)	1,014
Reclassification to earnings for commodity hedge contracts during the period	(706)	(99)	(607)	(141)	141	(282)
	<u>\$ (2,432)</u>	<u>\$ —</u>	<u>\$ (2,432)</u>	<u>\$ 20</u>	<u>\$ (691)</u>	<u>\$ 711</u>

Our strategy to hedge against fluctuations in variable interest rates involves entering into interest rate derivative agreements to hedge against adverse movements in interest rates. In the second quarter of fiscal year 2012, we entered into two forward starting interest rate derivative agreements to hedge interest rate risk of a forecasted transaction effective January 15, 2013. The forecasted transaction will be used to redeem our outstanding \$180,000 11% senior second lien notes due July 15, 2014 (the "Second Lien Notes"). The forecasted transaction is expected to occur between July 15, 2012 and October 31, 2012 as the Second Lien Notes become callable on July 15, 2012. The total notional amount of these agreements is \$150,000 and require us to receive interest based on changes in the London Interbank Offered Rate ("LIBOR") index and pay interest at a rate of approximately 1.40%. The agreements mature in March 2016, which is when the 2011 Revolver becomes due.

For each interest rate derivative deemed to be an effective cash flow hedge, the change in fair value is recorded in our stockholders' equity as a component of accumulated other comprehensive (loss) income and included in interest expense at

the same time as interest expense is affected by the hedged transaction. Differences paid or received over the life of the agreements are recorded as additions to or reductions of interest expense of the underlying debt.

If the interest rate derivatives become ineffective due to the inability to complete the forecasted transaction under the expected terms, the ineffective portion would be included in earnings in the period it was deemed to be ineffective.

Our 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. We evaluate the hedges and ensure that these instruments qualify for hedge accounting pursuant to derivative and hedging guidance. Designated as effective cash flow hedges, the changes in the fair value of these derivatives are recognized in other comprehensive (loss) income until the hedged item is settled and recognized as part of commodity revenue.

If the price per short ton of the underlying commodity, as reported on the Official Board Market, is less than the contract price per short ton, we receive the difference between the average price and the contract price (multiplied by the notional tons) from the respective counter-party. If the price of the commodity exceeds the contract price per short ton, we pay the calculated difference to the counter-party.

The fair values of the commodity hedges are obtained or derived from third-party counter-parties and are determined using valuation models with assumptions about market prices for commodities being based on those in underlying active markets. We are not party to any commodity hedge contracts at January 31, 2012.

We recognize all derivatives on the balance sheet at fair value.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

We use a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. These tiers include: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, and Level 3, defined as unobservable inputs that are not corroborated by market data.

Our financial assets and liabilities recorded at fair value on a recurring basis include restricted assets and derivative instruments. Our derivative instruments at January 31, 2012 include two forward starting interest rate derivatives. We use interest rate derivatives to hedge against adverse movements in interest rates. The fair value of our interest rate derivatives is based primarily on the LIBOR index.

Our financial assets and liabilities recorded at fair value on a non-recurring basis include our investment in GreenFiber and our guaranty of GreenFiber's modified and restated loan and security agreement. The fair value of our investment in GreenFiber was determined by a third party valuation that calculated the enterprise value based on the income approach, using discounted cash flows taking into account current expectations for asset utilization, housing starts and the remaining useful life of related assets. The fair value of our guaranty is based primarily on an estimated bond rate that would be incurred to collateralize a bond of similar nature to the guaranty. See Note 16 regarding the investment in GreenFiber and the guaranty.

We use valuation techniques that maximize the use of market prices and observable inputs and minimize the use of unobservable inputs. In measuring the fair value of our financial assets and liabilities, we rely on market data or assumptions which we believe market participants would use in pricing an asset or a liability.

As of January 31, 2012, our assets and liabilities that are measured at fair value on a recurring basis included the following:

	Fair Value Measurement at January 31, 2012 Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Restricted assets	\$ 400	\$ —	\$ —
Liabilities:			
Interest rate derivatives	—	2,487	—
Total	\$ 400	\$ 2,487	\$ —

As of January 31, 2012, our assets and liabilities that are measured at fair value on a nonrecurring basis included the following:

	Fair Value Measurement at January 31, 2012 Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Investment in unconsolidated entity - GreenFiber	\$ —	\$ —	\$ 5,953
Liabilities:			
Guaranty	—	—	264
Total	\$ —	\$ —	\$ 264

Our financial instruments include cash and cash equivalents, trade receivables, investments in closure trust funds and trade payables. The carrying values of these financial instruments approximate their respective fair values. At January 31, 2012, the fair value of our fixed rate debt including the Second Lien Notes and the senior subordinated notes due February 15, 2019 (the “2019 Notes”) was approximately \$387,351 and the carrying value was \$377,176. At January 31, 2012, the fair value of the 2011 Revolver approximates its carrying value of \$67,000.

12. DEVELOPMENT PROJECT CHARGE

In the second quarter of fiscal year 2012, we recorded a charge of \$131 for deferred costs associated with certain development projects no longer deemed viable.

13. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets held for sale:

In the first quarter of fiscal year 2011, we completed the sale of certain assets in Southeastern Massachusetts and recorded a gain on sale of assets of \$3,502. Total consideration amounted to \$7,750 with cash proceeds of \$7,533.

Discontinued operations:

On January 23, 2011, we entered into a purchase and sale agreement and related agreements to sell non-integrated recycling assets and select intellectual property assets to a new company (the “Purchaser”) formed by Pegasus Capital Advisors, L.P. and Intersection LLC for \$130,400 in gross proceeds. Pursuant to these agreements, we divested non-integrated recycling assets located outside our core operating regions of New York, Massachusetts, Vermont, New Hampshire, Maine and northern Pennsylvania, including 17 Material Recovery Facilities (“MRFs”), one transfer station and certain related intellectual property assets. Following the transaction, we retained four integrated MRFs located in our core operating regions. As a part of the disposition, we also entered into a ten-year commodities marketing agreement with the Purchaser to market 100% of the tonnage from three of our remaining integrated MRFs.

We completed the transaction on March 1, 2011 for \$134,195 in gross cash proceeds. This included an estimated \$3,795 working capital and other purchase price adjustment, which was subject to further adjustment, as defined in the purchase and sale agreement. The final working capital adjustment, along with additional legal expenses related to the transaction, of \$646 was recorded to (loss) gain on disposal of discontinued operations, net of income taxes in the first quarter of fiscal year 2012.

In the second quarter of fiscal year 2012, we recorded an additional working capital adjustment of \$79 to (loss) gain on disposal of discontinued operations, net of income taxes, which related to our subsequent collection of receivable balances that were released to us for collection by the Purchaser.

During the third quarter of fiscal year 2011, we also completed the sale of the assets of the Trilogy Glass business for cash proceeds of \$1,840.

The operating results of these operations, which relate only to prior fiscal year periods, have been reclassified from continuing to discontinued operations in the accompanying unaudited consolidated financial statements. Revenues and loss before income tax provision attributable to discontinued operations for the three and nine months ended January 31, 2011 were \$20,159, \$1,369, \$56,122, and (\$323), respectively.

We allocate interest expense to discontinued operations. We have also eliminated certain immaterial inter-company activity associated with discontinued operations.

14. RELATED PARTY TRANSACTION

In connection with the sale of non-integrated recycling assets and select intellectual property assets discussed in Note 13, an officer and director ceased serving for us in that capacity. Following the termination of his employment, he agreed to surrender to us as payment against his outstanding loan with us stock awards that vested in connection with his resignation and the discretionary bonus that was awarded to him in June 2011. Such amounts, net of income taxes withheld, totaling \$583, were applied against his loan with us in the first quarter of fiscal year 2012. As of January 31, 2012, an aggregate of \$577 in principal and interest was outstanding under this loan.

15. SEGMENT REPORTING

We report selected information about operating segments in a manner consistent with that used for internal management reporting. We classify our solid waste operations on a geographic basis through regional operating segments. Revenues are derived mainly from collection, transfer, disposal, landfill, landfill-gas-to energy, recycling and organic services in the northeastern United States. The Eastern region also includes Maine Energy, which generates electricity from non-hazardous solid waste. Our revenues in the Recycling segment are derived from municipalities and customers in the form of processing fees, tipping fees and commodity sales. During fiscal year 2011, we consolidated the Central and Western regions into a single segment as the Western region. Furthermore, the four remaining MRFs that were previously included in the FCR Recycling operating segment, along with the two MRFs from the Central region and our commodity brokerage operations, were brought together to form the newly created Recycling operating segment. Therefore, segment data for the three and nine months ended January 31, 2011 has been revised to reflect these changes in our segment classifications. Ancillary operations, major customer accounts, discontinued operations, and earnings from equity method investees are included in our "Other" reportable segment.

	Three Months Ended January 31, 2012				
	Outside revenues	Inter-company revenue (1)	Depreciation and amortization	Operating income (loss)	Total assets
Eastern	\$ 42,208	\$ 7,818	\$ 6,272	\$ (975)	\$ 213,058
Western	50,746	16,274	6,922	5,354	348,317
Recycling	10,872	(75)	1,074	562	56,844
Other	10,752	821	559	(521)	56,150
Eliminations	—	(24,838)	—	—	—
Total	\$ 114,578	\$ —	\$ 14,827	\$ 4,420	\$ 674,369

	Three Months Ended January 31, 2011				
	Outside revenues	Inter-company revenue (1)	Depreciation and amortization	Operating income (loss)	Total assets
Eastern	\$ 40,917	\$ 8,684	\$ 5,497	\$ (486)	\$ 220,876
Western	48,673	15,642	6,647	5,947	334,686
Recycling	10,838	(138)	892	1,296	40,309
Other	11,199	682	537	(468)	149,288
Eliminations	—	(24,870)	—	—	—
Total	\$ 111,627	\$ —	\$ 13,573	\$ 6,289	\$ 745,159

Nine Months Ended January 31, 2012					
	Outside revenues	Inter-company revenue (1)	Depreciation and amortization	Operating income (loss)	Total assets
Eastern	\$ 132,158	\$ 27,111	\$ 18,301	\$ (87)	\$ 213,058
Western	167,154	55,395	21,652	24,175	348,317
Recycling	37,595	(179)	2,935	4,905	56,844
Other	34,730	1,897	1,506	(2,690)	56,150
Eliminations	—	(84,224)	—	—	—
Total	<u>\$ 371,637</u>	<u>\$ —</u>	<u>\$ 44,394</u>	<u>\$ 26,303</u>	<u>\$ 674,369</u>

Nine Months Ended January 31, 2011					
	Outside revenues	Inter-company revenue (1)	Depreciation and amortization	Operating income (loss)	Total assets
Eastern	\$ 128,557	\$ 28,368	\$ 17,749	\$ 1,853	\$ 220,876
Western	162,052	51,142	22,354	28,293	334,686
Recycling	31,789	(252)	2,651	2,898	40,309
Other	34,117	2,040	2,022	(1,833)	149,288
Eliminations	—	(81,298)	—	—	—
Total	<u>\$ 356,515</u>	<u>\$ —</u>	<u>\$ 44,776</u>	<u>\$ 31,211</u>	<u>\$ 745,159</u>

(1) Inter-segment revenues reflect transactions with and between segments that are generally made on a basis intended to reflect the market value of such services.

Amounts of our total revenue attributable to services provided are as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2012	2011	2012	2011
Collection	\$ 48,875	\$ 48,068	\$ 157,265	\$ 152,628
Disposal	30,220	26,889	96,645	93,548
Power generation	3,182	3,891	9,415	9,848
Processing and organics	12,231	12,035	40,961	38,255
Solid waste operations	94,508	90,883	304,286	294,279
Major accounts	9,198	9,906	29,756	30,447
Recycling	10,872	10,838	37,595	31,789
Total revenues	<u>\$ 114,578</u>	<u>\$ 111,627</u>	<u>\$ 371,637</u>	<u>\$ 356,515</u>

We have revised our table of revenue by source to more closely align the types of revenue generated by our operating segments. Amounts for the three and nine months ended January 31, 2011 have been revised to conform to this presentation.

16. INVESTMENTS IN UNCONSOLIDATED ENTITIES

Effective August 1, 2000, we entered into a joint venture agreement with Louisiana-Pacific Corporation to combine our respective cellulose insulation businesses into a single operating entity, GreenFiber. In April 2011, we issued a guaranty of up to \$1,500 in support of GreenFiber's amended and restated loan and security agreement in order to induce the lender to enter into a waiver and amend the agreement. In August 2011, we were required to increase the guaranty to up to \$3,400 and make an additional investment of \$500 in order to again induce the lender to enter into a waiver and amend the agreement.

On December 1, 2011, GreenFiber finalized amendment no. 2 to their modified and restated loan and security agreement. Upon closing, we made an additional investment of \$3,000 in GreenFiber and reduced our guaranty associated with the credit facility to \$2,200. The guaranty can be drawn on upon an event of default and remains in place through December 1, 2014, the extended term of their modified and restated loan and security agreement. Our membership interest in GreenFiber remains unchanged at 50%. As of January 31, 2012, we have recorded a \$264 liability as the fair value of the guaranty.

As of December 31, 2011, GreenFiber performed a test for goodwill impairment. The goodwill impairment analysis indicated that the carrying value of their equity exceeded the fair value of their equity and GreenFiber determined that the entire amount of their goodwill was impaired. Consequently, we recorded our portion of the goodwill impairment charge amounting to \$5,090 as loss on equity method investment in the three months ended January 31, 2012.

Based on the analysis performed, we determined that the current book value of our investment in GreenFiber exceeded its fair value. The analysis calculated GreenFiber's enterprise value based on the income approach using discounted cash flows taking into account current expectations for asset utilization, housing starts and the remaining useful life of related assets. Because the conditions resulting in the impairment existed as of January 31, 2012, we recorded a charge amounting to \$10,680 as impairment on equity method investment in the three months ended January 31, 2012.

We account for our 50% membership interest in GreenFiber using the equity method of accounting. Our investment in GreenFiber amounted to \$5,953 and \$23,137 at January 31, 2012 and April 30, 2011, respectively.

Summarized financial information for GreenFiber is as follows:

	January 31, 2012		April 30, 2011	
Current assets	\$	19,580	\$	20,077
Noncurrent assets	\$	36,686	\$	49,618
Current liabilities	\$	10,151	\$	10,756
Noncurrent liabilities	\$	13,308	\$	12,863

	Three Months Ended January 31,		Nine Months Ended January 31,					
	2012	2011	2012	2011				
Revenue	\$	23,460	\$	28,470	\$	61,317	\$	66,488
Gross profit	\$	(5,597)	\$	6,594	\$	(2,082)	\$	12,172
Net loss	\$	(12,818)	\$	205	\$	(20,382)	\$	(5,071)

During the second quarter of fiscal year 2012, we finalized the terms of a joint venture agreement with FCR, LLC ("FCR") to form Tompkins County Recycling LLC ("Tompkins"), a joint venture that operates a MRF located in Tompkins County, NY and processes and sells commodities delivered to the Tompkins MRF. In connection with the formation of the joint venture, we acquired a 50% membership interest in Tompkins in exchange for an initial cash contribution to Tompkins of \$285. FCR made an initial cash contribution of \$285 as well, and acquired a 50% membership interest in Tompkins. Income and losses are allocated to members based on membership interest percentage. Our investment in Tompkins amounted to \$312 at January 31, 2012. We account for our 50% membership interest in Tompkins using the equity method of accounting.

In the first quarter of fiscal year 2012, we entered into a renewable energy project operating agreement with AGreen Energy LLC ("AGreen"). As a part of the agreement, we will provide certain operation, maintenance, management, and administrative services, as well as procure organic materials that would otherwise be disposed of to small farm-based biogas renewable energy projects that produce renewable energy and other valuable products and services. In the first quarter of fiscal year 2012, we made an initial investment of \$150 in AGreen giving us a 5.1% membership interest. In the three months ended January 31, 2012, we made an additional contribution of \$200 in AGreen giving us an 11.9% membership interest as of January 31, 2012. We account for this investment under the cost method of accounting.

We also have a 6.4% interest in RecycleRewards, Inc. ("RecycleRewards"), a company that markets an incentive based recycling service, and a 19.9% interest in Evergreen National Indemnity Company, a surety company which provides surety bonds to secure contractual performance for municipal solid waste collection contracts and landfill closure and post-closure obligations. In October 2011 our common share interest in RecycleRewards was reduced from 8.2% to the current 6.4% due to an equity offering RecycleRewards made to a third party investor. We account for these investments under the cost method of accounting.

Our investments accounted for under the cost method of accounting amounted to \$15,486 and \$15,124 at January 31, 2012 and April 30, 2011, respectively.

17. SUBSIDIARY GUARANTORS

Our 2019 Notes and Second Lien Notes are guaranteed jointly and severally, fully and unconditionally, by our significant wholly-owned subsidiaries. The Parent is the issuer and a non-guarantor of the 2019 Notes and Second Lien

Notes and the Parent has no independent assets or operations. The information which follows presents the condensed consolidating financial position as of January 31, 2012 and April 30, 2011, the condensed consolidating results of operations for the three and nine months ended January 31, 2012 and 2011, and the condensed consolidating statements of cash flows for the nine months ended January 31, 2012 and 2011 of (a) the Parent company only, (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 consolidated total.

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JANUARY 31, 2012
(in thousands, except for share and per share data)

ASSETS	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	\$ 942	\$ 138	\$ 51	\$ —	\$ 1,131
Accounts receivable - trade, net of allowance for doubtful accounts	24	48,008	—	—	48,032
Refundable income taxes	1,284	—	—	—	1,284
Deferred income taxes	2,860	—	—	—	2,860
Other current assets	2,529	8,959	—	—	11,488
Total current assets	7,639	57,105	51	—	64,795
Property, plant and equipment, net of accumulated depreciation and amortization	4,424	454,586	2,894	—	461,904
Goodwill	—	101,773	—	—	101,773
Intangible assets	362	2,777	—	—	3,139
Restricted assets	—	400	—	—	400
Notes receivable - related party/employee	721	—	—	—	721
Investments in unconsolidated entities	15,486	8,199	—	(1,932)	21,753
Investments in subsidiaries	38,046	—	—	(38,046)	—
Other non-current assets	14,202	5,682	—	—	19,884
	73,241	573,417	2,894	(39,978)	609,574
Intercompany receivable	502,572	(489,082)	(15,422)	1,932	—
	<u>\$ 583,452</u>	<u>\$ 141,440</u>	<u>\$ (12,477)</u>	<u>\$ (38,046)</u>	<u>\$ 674,369</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Current maturities of long-term debt and capital leases	\$ 139	\$ 1,074	\$ —	\$ —	\$ 1,213
Current maturities of financing lease obligations	—	332	—	—	332
Accounts payable	22,235	23,017	—	—	45,252
Current accrued capping, closure and post-closure costs	—	4,665	3	—	4,668
Other current liabilities	17,368	15,357	—	—	32,725
Total current liabilities	39,742	44,445	3	—	84,190
Long-term debt and capital leases, less current maturities	469,213	1,624	—	—	470,837
Financing lease obligations, less current maturities	—	1,904	—	—	1,904
Accrued capping, closure and post-closure costs, less current portion	—	35,261	40	—	35,301
Deferred income taxes	4,133	—	—	—	4,133
Other long-term liabilities	5,448	6,196	—	—	11,644
STOCKHOLDERS' EQUITY:					
Casella Waste Systems, Inc. stockholders' equity:					
Class A common stock -					
Authorized - 100,000,000 shares, \$0.01 par value per share, issued and outstanding - 25,987,000 shares	260	100	—	(100)	260
Class B common stock -					
Authorized - 1,000,000 shares, \$0.01 par value per share, 10 votes per share, issued and outstanding - 988,000 shares	10	—	—	—	10
Accumulated other comprehensive (loss) income	(2,054)	433	—	(433)	(2,054)
Additional paid-in capital	287,810	48,078	1,622	(49,700)	287,810
Accumulated deficit	(221,110)	3,399	(15,586)	12,187	(221,110)
Total Casella Waste Systems, Inc. stockholders' equity	64,916	52,010	(13,964)	(38,046)	64,916
Noncontrolling interest	—	—	1,444	—	1,444
Total stockholders' equity	64,916	52,010	(12,520)	(38,046)	66,360
	<u>\$ 583,452</u>	<u>\$ 141,440</u>	<u>\$ (12,477)</u>	<u>\$ (38,046)</u>	<u>\$ 674,369</u>

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF APRIL 30, 2011
(in thousands, except for share and per share data)

ASSETS	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	\$ 1,531	\$ 286	\$ —	\$ —	\$ 1,817
Accounts receivable - trade, net of allowance for doubtful accounts	1,243	53,671	—	—	54,914
Deferred income taxes	5,600	—	—	—	5,600
Other current assets	1,653	8,421	—	—	10,074
Total current assets	10,027	62,378	—	—	72,405
Property, plant and equipment, net of accumulated depreciation and amortization	4,473	448,888	—	—	453,361
Goodwill	—	101,204	—	—	101,204
Intangible assets	430	2,025	—	—	2,455
Restricted assets	—	334	—	—	334
Notes receivable - related party/employee	1,297	—	—	—	1,297
Investments in unconsolidated entities	15,125	25,070	—	(1,932)	38,263
Investments in subsidiaries	56,426	—	—	(56,426)	—
Other non-current assets	16,204	5,058	—	—	21,262
	93,955	582,579	—	(58,358)	618,176
Intercompany receivable	493,823	(480,333)	(15,422)	1,932	—
	<u>\$ 597,805</u>	<u>\$ 164,624</u>	<u>\$ (15,422)</u>	<u>\$ (56,426)</u>	<u>\$ 690,581</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Current maturities of long-term debt and capital leases	\$ 132	\$ 1,085	\$ —	\$ —	\$ 1,217
Current maturities of financing lease obligations	—	316	—	—	316
Accounts payable	12,885	29,614	—	—	42,499
Current accrued capping, closure and post-closure costs	—	1,699	3	—	1,702
Income taxes payable	3,786	—	—	—	3,786
Other current liabilities	19,814	14,587	—	—	34,401
Total current liabilities	36,617	47,301	3	—	83,921
Long-term debt and capital leases, less current maturities	458,963	2,455	—	—	461,418
Financing lease obligations, less current maturities	—	2,156	—	—	2,156
Accrued capping, closure and post-closure costs, less current portion	—	34,668	37	—	34,705
Deferred income taxes	5,578	—	—	—	5,578
Other long-term liabilities	2,660	6,156	—	—	8,816
STOCKHOLDERS' EQUITY:					
Class A common stock -					
Authorized - 100,000,000 shares, \$0.01 par value per share, issued and outstanding - 25,589,000 shares	256	100	—	(100)	256
Class B common stock -					
Authorized - 1,000,000 shares, \$0.01 par value per share, 10 votes per share, issued and outstanding - 988,000 shares	10	—	—	—	10
Accumulated other comprehensive (loss) income	378	418	—	(418)	378
Additional paid-in capital	285,992	48,078	120	(48,198)	285,992
Accumulated deficit	(192,649)	23,292	(15,582)	(7,710)	(192,649)
Total stockholders' equity	93,987	71,888	(15,462)	(56,426)	93,987
	<u>\$ 597,805</u>	<u>\$ 164,624</u>	<u>\$ (15,422)</u>	<u>\$ (56,426)</u>	<u>\$ 690,581</u>

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
THREE MONTHS ENDED JANUARY 31, 2012
(in thousands)

	<u>Parent</u>	<u>Guarantors</u>	<u>Non - Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues	\$ —	\$ 114,578	\$ —	\$ —	\$ 114,578
Operating expenses:					
Cost of operations	20	81,377	1	—	81,398
General and administration	8	13,924	1	—	13,933
Depreciation and amortization	367	14,460	—	—	14,827
	<u>395</u>	<u>109,761</u>	<u>2</u>	<u>—</u>	<u>110,158</u>
Operating (loss) income	(395)	4,817	(2)	—	4,420
Other expense/(income), net:					
Interest income	(9,798)	(19)	—	9,797	(20)
Interest expense	11,523	9,802	—	(9,797)	11,528
Loss from equity method investments	21,940	6,383	—	(21,940)	6,383
Impairment of equity method investment	—	10,680	—	—	10,680
Other income	(26)	(91)	—	—	(117)
Other expense, net	<u>23,639</u>	<u>26,755</u>	<u>—</u>	<u>(21,940)</u>	<u>28,454</u>
Loss from continuing operations before income taxes	(24,034)	(21,938)	(2)	21,940	(24,034)
Provision for income taxes	601	—	—	—	601
Net loss attributable to common stockholders	<u>\$ (24,635)</u>	<u>\$ (21,938)</u>	<u>\$ (2)</u>	<u>\$ 21,940</u>	<u>\$ (24,635)</u>

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
THREE MONTHS ENDED JANUARY 31, 2011
(in thousands)

	<u>Parent</u>	<u>Guarantors</u>	<u>Non - Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues	\$ —	\$ 111,627	\$ —	\$ —	\$ 111,627
Operating expenses:					
Cost of operations	14	76,918	1	—	76,933
General and administration	539	14,293	—	—	14,832
Depreciation and amortization	399	13,174	—	—	13,573
	<u>952</u>	<u>104,385</u>	<u>1</u>	<u>—</u>	<u>105,338</u>
Operating (loss) income	(952)	7,242	(1)	—	6,289
Other expense/(income), net:					
Interest income	(7,747)	(9)	—	7,741	(15)
Interest expense	14,715	4,689	—	(7,741)	11,663
Income from equity method investments	(2,643)	(102)	—	2,643	(102)
Other expense, net	9	28	—	—	37
Other expense, net	<u>4,334</u>	<u>4,606</u>	<u>—</u>	<u>2,643</u>	<u>11,583</u>
Loss from continuing operations before income taxes	(5,286)	2,636	(1)	(2,643)	(5,294)
Provision for income taxes	1,079	—	—	—	1,079
Loss from continuing operations	<u>(6,365)</u>	<u>2,636</u>	<u>(1)</u>	<u>(2,643)</u>	<u>(6,373)</u>
Discontinued operations:					
Income from discontinued operations, net	—	1,376	—	—	1,376
Loss on disposal of discontinued operations, net	—	(1,368)	—	—	(1,368)
Net loss attributable to common stockholders	<u>\$ (6,365)</u>	<u>\$ 2,644</u>	<u>\$ (1)</u>	<u>\$ (2,643)</u>	<u>\$ (6,365)</u>

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
NINE MONTHS ENDED JANUARY 31, 2012
(in thousands)

	<u>Parent</u>	<u>Guarantors</u>	<u>Non - Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues	\$ —	\$ 371,637	\$ —	\$ —	\$ 371,637
Operating expenses:					
Cost of operations	49	253,196	3	—	253,248
General and administration	421	45,780	1	—	46,202
Depreciation and amortization	1,041	43,353	—	—	44,394
Legal settlement	1,000	359	—	—	1,359
Development project charge	—	131	—	—	131
	<u>2,511</u>	<u>342,819</u>	<u>4</u>	<u>—</u>	<u>345,334</u>
Operating (loss) income	(2,511)	28,818	(4)	—	26,303
Other expense/(income), net:					
Interest income	(29,515)	(25)	—	29,508	(32)
Interest expense	33,982	29,423	—	(29,508)	33,897
Loss from equity method investments	20,386	10,163	—	(20,386)	10,163
Impairment of equity method investment	—	10,680	—	—	10,680
Other income	(233)	(316)	—	—	(549)
Other expense, net	<u>24,620</u>	<u>49,925</u>	<u>—</u>	<u>(20,386)</u>	<u>54,159</u>
Loss from continuing operations before income taxes	(27,131)	(21,107)	(4)	20,386	(27,856)
Provision for income taxes	<u>1,330</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,330</u>
Loss from continuing operations	<u>(28,461)</u>	<u>(21,107)</u>	<u>(4)</u>	<u>20,386</u>	<u>(29,186)</u>
Discontinued operations:					
Gain on disposal of discontinued operations, net	<u>—</u>	<u>725</u>	<u>—</u>	<u>—</u>	<u>725</u>
Net loss attributable to common stockholders	<u>\$ (28,461)</u>	<u>\$ (20,382)</u>	<u>\$ (4)</u>	<u>\$ 20,386</u>	<u>\$ (28,461)</u>

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
NINE MONTHS ENDED JANUARY 31, 2011
(in thousands)

	<u>Parent</u>	<u>Guarantors</u>	<u>Non - Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues	\$ —	\$ 356,515	\$ —	\$ —	\$ 356,515
Operating expenses:					
Cost of operations	28	237,554	2	—	237,584
General and administration	(903)	47,346	3	—	46,446
Depreciation and amortization	1,180	43,596	—	—	44,776
Gain on sale of assets	—	(3,502)	—	—	(3,502)
	<u>305</u>	<u>324,994</u>	<u>5</u>	<u>—</u>	<u>325,304</u>
Operating (loss) income	(305)	31,521	(5)	—	31,211
Other expense/(income), net:					
Interest income	(23,761)	(23)	—	23,743	(41)
Interest expense	43,765	15,051	—	(23,743)	35,073
(Income) loss from equity method investments	(11,912)	2,536	—	11,912	2,536
Other income, net	(115)	(260)	—	—	(375)
Other expense, net	<u>7,977</u>	<u>17,304</u>	<u>—</u>	<u>11,912</u>	<u>37,193</u>
Loss from continuing operations before income taxes	(8,282)	14,217	(5)	(11,912)	(5,982)
Provision for income taxes	<u>2,139</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,139</u>
Loss from continuing operations	<u>(10,421)</u>	<u>14,217</u>	<u>(5)</u>	<u>(11,912)</u>	<u>(8,121)</u>
Discontinued operations:					
Loss from discontinued operations, net	—	(316)	—	—	(316)
Loss on disposal of discontinued operations, net	—	(1,984)	—	—	(1,984)
Net loss attributable to common stockholders	<u>\$ (10,421)</u>	<u>\$ 11,917</u>	<u>\$ (5)</u>	<u>\$ (11,912)</u>	<u>\$ (10,421)</u>

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED JANUARY 31, 2012
(in thousands)

	<u>Parent</u>	<u>Guarantors</u>	<u>Non-Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Net Cash Provided by (Used in) Operating Activities	\$ 1,390	\$ 48,353	\$ (1)	\$ —	\$ 49,742
Cash Flows from Investing Activities:					
Acquisitions, net of cash acquired	—	(2,102)	—	—	(2,102)
Additions to property, plant and equipment					
— acquisitions	—	(168)	—	—	(168)
— growth	—	(8,209)	(1,624)	—	(9,833)
— maintenance	(977)	(38,302)	—	—	(39,279)
Payments on landfill operating lease contracts	—	(6,052)	—	—	(6,052)
Proceeds from sale of property and equipment	—	1,337	—	—	1,337
Other	(1,863)	(3,785)	1,502	—	(4,145)
Net Cash Used In Investing Activities	(2,840)	(57,281)	(122)	—	(60,243)
Cash Flows from Financing Activities:					
Proceeds from long-term borrowings	127,900	—	—	—	127,900
Principal payments on long-term debt	(118,356)	(1,077)	—	—	(119,433)
Other	449	—	174	—	623
Intercompany borrowings	(9,132)	9,132	—	—	—
Net Cash Provided by Financing Activities	861	8,055	174	—	9,090
Cash Provided by Discontinued Operations	—	725	—	—	725
Net (decrease) increase in cash and cash equivalents	(589)	(148)	51	—	(686)
Cash and cash equivalents, beginning of period	1,531	286	—	—	1,817
Cash and cash equivalents, end of period	<u>\$ 942</u>	<u>\$ 138</u>	<u>\$ 51</u>	<u>\$ —</u>	<u>\$ 1,131</u>

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED JANUARY 31, 2011
(in thousands)

	<u>Parent</u>	<u>Guarantors</u>	<u>Non-Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Net Cash (Used in) Provided by Operating Activities	\$ (15,174)	\$ 61,032	\$ —	\$ —	\$ 45,858
Cash Flows from Investing Activities:					
Acquisitions, net of cash acquired	—	—	—	—	—
Additions to property, plant and equipment					
— growth	—	(1,175)	—	—	(1,175)
— maintenance	(1,321)	(38,947)	—	—	(40,268)
Payments on landfill operating lease contracts	—	(4,977)	—	—	(4,977)
Proceeds from sale of property and equipment	—	7,533	—	—	7,533
Other	—	631	—	—	631
Net Cash Used In Investing Activities	(1,321)	(36,935)	—	—	(38,256)
Cash Flows from Financing Activities:					
Proceeds from long-term borrowings	134,100	—	—	—	134,100
Principal payments on long-term debt	(125,687)	(10,662)	—	—	(136,349)
Other	(6)	200	—	—	194
Intercompany borrowings	12,106	(12,106)	—	—	—
Net Cash Provided by (Used in) Financing Activities	20,513	(22,568)	—	—	(2,055)
Cash Used in Discontinued Operations	—	(2,051)	—	—	(2,051)
Net increase (decrease) in cash and cash equivalents	4,018	(522)	—	—	3,496
Cash and cash equivalents, beginning of period	1,234	801	—	—	2,035
Cash and cash equivalents, end of period	<u>\$ 5,252</u>	<u>\$ 279</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,531</u>

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

The following discussion should be read in conjunction with the unaudited consolidated financial statements and notes thereto included under Item 1. In addition, reference should be made to our audited consolidated financial statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in our Annual Report on Form 10-K for the year ended April 30, 2011.

This Quarterly Report on Form 10-Q and, in particular, this Management's Discussion and Analysis of Financial Condition and Results of Operations may contain or incorporate a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended (the "Exchange Act"), including:

- expected liquidity and financing plans;
- expected future revenues, operations, expenditures and cash needs;
- fluctuations in the commodity pricing of our recyclables, increases in landfill tipping fees and fuel costs and general economic and weather conditions;
- projected future obligations related to capping, closure and post-closure costs of our existing landfills and any disposal facilities which we may own or operate in the future;
- our ability to use our net operating losses and tax positions;
- the projected development of additional disposal capacity or expectations regarding permits of existing capacity;
- the recoverability or impairment of any of our assets or goodwill;
- estimates of the potential markets for our products and services, including the anticipated drivers for future growth;
- sales and marketing plans or price and volume assumptions;
- the outcome of any legal or regulatory matter;
- potential business combinations or divestitures; and
- projected improvements to our infrastructure and impact of such improvements on our business and operations.

In addition, any statements contained in or incorporated by reference into this Quarterly Report on Form 10-Q that are not statements of historical fact should be considered forward-looking statements. You can identify these forward-looking statements by the use of the words "believes", "expects", "anticipates", "plans", "may", "will", "would", "intends", "estimates" and other similar expressions, whether in the negative or affirmative. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate as well as management's beliefs and assumptions, and should be read in conjunction with our unaudited consolidated financial statements and unaudited notes to consolidated financial statements included in this Quarterly Report on Form 10-Q. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in the forward-looking statements made. The occurrence of the events described and the achievement of the expected results depends on many events, some or all of which are not predictable or within our control. Actual results may differ materially from those set forth in forward-looking statements.

There are a number of important risks and uncertainties that could cause our actual results to differ materially from those indicated by such forward-looking statements. These risks and uncertainties include, without limitation, those detailed in Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended April 30, 2011. We explicitly disclaim any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise, except as otherwise required by law.

Company Overview

Founded in 1975 with a single truck, Casella Waste Systems, Inc. is a vertically-integrated solid waste, recycling, and resource management services company. We provide resource management expertise and services to residential, commercial, municipal, and industrial customers, primarily in the areas of solid waste collection, transfer, disposal, recycling, and organics services. We operate in six states— Vermont, New Hampshire, New York, Massachusetts, Maine, and Pennsylvania, with our home office being located in Rutland, Vermont. We manage our solid waste operations on a geographic basis through two regional operating segments, the Eastern and Western regions, each of which includes a full range of solid waste services, and our larger-scale, non-solid waste recycling and commodity brokerage operations through our Recycling segment. Ancillary operations, major customer accounts, discontinued operations and earnings from equity method investees are included in our Other segment.

As of February 15, 2012, we owned and/or operated 31 solid waste collection operations, 29 transfer stations, 17 recycling facilities, nine Subtitle D landfills, three landfill gas to energy facilities, one landfill permitted to accept construction and demolition materials, and one waste-to-energy facility. We also hold 50% membership interests in US GreenFiber LLC (“GreenFiber”) and Tompkins County Recycling LLC (“Tompkins”) and a 51% membership interest in Casella Altela Regional Environmental Services, LLC (“CARES”).

GreenFiber is a joint venture that manufactures markets and sells cellulose insulation made from recycled fiber. In the nine months ended January 31, 2012, we made additional investments of \$0.5 million and \$3.0 million in GreenFiber, with no effect on our membership interest of 50%, in order to induce the lender, on two separate occasions, to enter into a waiver and amend GreenFiber’s credit facility agreement. As a part of the most recent amendment in December 2011, we reduced our guaranty associated with the credit facility to \$2.2 million. The guaranty is recorded at fair value on a non-recurring basis and is based primarily on an estimated bond rate that would be incurred to collateralize a bond of similar nature to the guaranty.

As of December 31, 2011, GreenFiber performed a test for goodwill impairment. The goodwill impairment analysis indicated that the carrying value of their equity exceeded the fair value of their equity and GreenFiber determined that the entire amount of their goodwill was impaired. Consequently, we recorded our portion of the goodwill impairment charge amounting to \$5.1 million as loss on equity method investment in the three months ended January 31, 2012.

Based on the analysis performed, we determined that the current book value of our investment in GreenFiber exceeded its fair value. The analysis calculated GreenFiber’s enterprise value based on the income approach using discounted cash flows taking into account current expectations for asset utilization, housing starts and the remaining useful life of related assets. Because the conditions resulting in the impairment existed as of January 31, 2012, we recorded a charge amounting to \$10.7 million as impairment on equity method investment in the three months ended January 31, 2012.

Tompkins is a joint venture that operates the Tompkins, NY Material Recovery Facility and processes and sells commodities delivered to the facility. In the second quarter of fiscal year 2012, we finalized the terms of the Tompkins joint venture agreement and made an initial cash contribution of \$0.3 million. We account for our 50% membership interests in GreenFiber and Tompkins using the equity method of accounting.

CARES is a joint venture that develops, owns and operates water and leachate treatment projects for the natural gas drilling industry in Pennsylvania and New York. Our joint venture partner in CARES is Altela, Inc. We consolidate the assets, liabilities, noncontrolling interest, and results of operations of CARES into our consolidated financial statements due to our controlling financial interest in the joint venture. As of January 31, 2012, the noncontrolling interest associated with CARES related solely to investments in the joint venture by Altela, Inc.

In addition to our primary operations and various joint ventures mentioned above, we have cost method investments in AGreen Energy LLC (“AGreen”), RecycleRewards, Inc. (“RecycleRewards”), and Evergreen National Indemnity Company (“Evergreen”), as follows:

In the first quarter of fiscal year 2012, we entered into a renewable energy project operating agreement with AGreen. As a part of the agreement, we provide certain operation, maintenance, management, and administrative services, as well as procure organic materials that would otherwise be disposed of from small farm-based biogas renewable energy projects to produce renewable energy and other valuable products and services. In the first quarter of fiscal year 2012, we made an initial investment of \$0.2 million in AGreen giving us a 5.1% membership interest. In the three months ended January 31, 2012, we made an additional contribution of \$0.2 million in AGreen giving us an 11.9% membership interest as of January 31, 2012.

We also hold a 6.4% interest in RecycleRewards, a company that markets an incentive based recycling service, and a 19.9% interest in Evergreen, a surety company which provides surety bonds to secure contractual performance for municipal solid waste collection contracts and landfill closure and post-closure obligations. In October 2011 our common share interest in RecycleRewards was reduced from 8.2% to the current 6.4% due to an equity offering RecycleRewards made to a third party investor.

Acquisitions and Divestitures

During the nine months ended January 31, 2012, we acquired five solid waste hauling operations and completed the acquisition of the McKean County landfill business in Pennsylvania by acquiring additional equipment not included in the original transaction. The transactions were in exchange for total consideration of \$2.3 million, including \$2.1 million in cash and \$0.2 million in holdbacks to sellers.

Results of Operations

The following table summarizes our revenues and cost and expenses from continuing operations for the three and nine months ended January 31, 2012 and 2011 (in millions and as a percentage of revenue):

	Three Months Ended January 31,				Nine Months Ended January 31,			
	2012	% of Revenue	2011	% of Revenue	2012	% of Revenue	2011	% of Revenue
Revenues	\$ 114.6	100.0%	\$ 111.6	100.0%	\$ 371.6	100.0%	\$ 356.5	100.0%
Operating expenses:								
Cost of operations	81.4	71.0%	76.9	68.9%	253.2	68.1%	237.6	66.6%
General and administration	13.9	12.2%	14.8	13.3%	46.2	12.4%	46.4	13.0%
Depreciation and amortization	14.9	13.0%	13.6	12.2%	44.4	11.9%	44.8	12.6%
Legal settlement	—	0.0%	—	0.0%	1.4	0.5%	—	0.0%
Development project charge	—	0.0%	—	0.0%	0.1	0.0%	—	0.0%
Gain on sale of assets	—	0.0%	—	0.0%	—	0.0%	(3.5)	-1.0%
Operating income	4.4	3.8%	6.3	5.6%	26.3	7.1%	31.2	8.8%
Other expense/(income), net:								
Interest expense, net	11.5	10.0%	11.7	10.4%	33.9	9.1%	35.1	9.9%
Loss (income) from equity method investments	6.3	5.5%	(0.1)	-0.1%	10.1	2.7%	2.5	0.7%
Impairment of equity method investment	10.7	9.4%	—	0.0%	10.7	2.9%	—	0.0%
Loss on debt refinancing	—	0.0%	0.1	0.1%	—	0.0%	0.1	0.0%
Other income	(0.1)	-0.1%	(0.1)	-0.1%	(0.5)	-0.1%	(0.5)	-0.1%
Provision for income taxes	0.6	0.5%	1.1	1.0%	1.3	0.4%	2.1	0.6%
Loss from continuing operations	\$ (24.6)	-21.5%	\$ (6.4)	-5.7%	\$ (29.2)	-7.9%	\$ (8.1)	-2.3%

Revenues

We manage our solid waste operations, which include a full range of solid waste services, on a geographic basis through two regional operating segments, which we designate as the Eastern and Western regions. Revenues in our Eastern and Western regions consist primarily of fees charged to customers for solid waste disposal and collection, landfill, landfill gas-to-energy, waste-to-energy, transfer, organics and recycling services. We derive a substantial portion of our collection revenues from commercial, industrial and municipal services that are generally performed under service agreements or pursuant to contracts with municipalities. The majority of our 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 our disposal facilities and transfer stations. We also generate and sell electricity under a contract at our waste-to-energy facility and at certain of our landfill facilities. In addition, revenues from our Recycling segment consist of revenues from the sale of recyclable commodities and operations and maintenance contracts of recycling facilities for municipal customers. Revenues from our Other segment are made up of ancillary revenues including major customer accounts.

Our revenues are shown net of inter-company eliminations. We typically establish our inter-company transfer pricing based upon prevailing market rates. The table below shows, for the periods indicated, the percentages and dollars (in millions) of revenue attributable to services provided.

	Three Months Ended January 31,				Nine Months Ended January 31,			
	2012		2011		2012		2011	
Collection	\$ 48.9	42.7%	\$ 48.1	43.1%	\$ 157.3	42.3%	\$ 152.6	42.8%
Disposal	30.2	26.4%	26.9	24.1%	96.6	26.0%	93.5	26.2%
Power generation	3.2	2.8%	3.9	3.5%	9.4	2.6%	9.9	2.8%
Processing and organics	12.2	10.6%	12.0	10.8%	41.0	11.0%	38.3	10.8%
Solid waste operations	94.5	82.5%	90.9	81.5%	304.3	81.9%	294.3	82.6%
Major accounts	9.2	8.0%	9.9	8.8%	29.7	8.0%	30.4	8.5%
Recycling	10.9	9.5%	10.8	9.7%	37.6	10.1%	31.8	8.9%
Total revenues	\$ 114.6	100.0%	\$ 111.6	100.0%	\$ 371.6	100.0%	\$ 356.5	100.0%

Our revenues increased \$3.0 million, or 2.7%, and \$15.1 million, or 4.2%, when comparing the three and nine months ended January 31, 2012 to the comparable prior fiscal year periods. The following table provides details associated with the period-to-period change in revenues (in millions) attributable to services provided:

	Three Months Ended January 31, 2012		Nine Months Ended January 31, 2012	
	Amount	% of Growth	Amount	% of Growth
Solid Waste Operations:				
Price	\$ 0.7	0.6%	\$ 3.9	1.1%
Volume	2.2	2.0%	2.3	0.6%
Commodity price & volume	(0.6)	-0.6%	1.3	0.4%
Acquisitions & divestitures	1.3	1.2%	2.4	0.7%
Total Solid Waste	3.6	3.2%	9.9	2.8%
Major Accounts	(0.7)	-0.6%	(0.6)	-0.2%
Recycling Operations:				
Commodity price	(1.4)	-1.3%	5.9	1.6%
Commodity volume	1.5	1.4%	(0.1)	0.0%
Total Recycling	0.1	0.1%	5.8	1.6%
Total Revenue Growth	\$ 3.0	2.7%	\$ 15.1	4.2%

Solid waste revenues

- The price change component in total solid waste revenue growth for the three months ended January 31 is primarily the result of \$1.0 million from favorable collection pricing and (\$0.3) million from unfavorable disposal pricing. The price change component in total solid waste revenue growth for the nine months ended January 31 is primarily the result of \$4.0 million from favorable collection pricing, \$0.1 million from favorable processing and organics pricing and (\$0.2) million from unfavorable disposal pricing.
- The volume change component in total solid waste revenue growth for the three months ended January 31 is primarily the result of \$2.8 million from disposal volume increases, \$0.1 million from processing and organics volume increases and (\$0.7) million from collection volume decreases. The volume change component in total solid waste revenue growth for the nine months ended January 31 is primarily the result of \$1.6 million from disposal volume increases, \$0.8 million from processing and organics volume increases and (\$0.1) million from collection volume decreases.
- The commodity price and volume change component in total solid waste revenue growth for the three months ended January 31 is primarily the result of (\$0.3) million from unfavorable commodity pricing and (\$0.3) million from commodity volume decreases. The commodity price and volume change component in total solid waste revenue growth for the nine months ended January 31 is primarily the result of \$1.6 million from favorable commodity pricing and (\$0.3) million from commodity volume decreases.

Major accounts and recycling revenues

- The change in major accounts revenue growth for the three and nine months ended January 31 is primarily the result of (\$0.7) million from volume declines.
- The change in recycling revenue growth for the three months ended January 31 is the result of volume increases significantly offset by unfavorable pricing due to falling commodity prices in the marketplace. The change in recycling revenue growth for the nine months ended January 31 is the result of favorable commodity pricing due to higher commodity prices in the marketplace during the first and second quarter of fiscal year 2012, partially offset by volume decreases.

Operating Expenses

Cost of Operations

Cost of operations includes labor, tipping fees paid to third-party disposal facilities, fuel, maintenance and repair of vehicles and equipment, workers' 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.

Our cost of operations expense increased \$4.5 million, or 5.9%, and \$15.6 million, or 6.6%, when comparing the three and nine months ended January 31, 2012 to the comparable prior fiscal year periods. In the three and nine months ended January 31, 2012, cost of operations expense increased as a percentage

of revenues when compared to the comparable prior fiscal year periods from 68.9% to 71.0% and from 66.6% to 68.1%. The period-to-period change in our cost of operations during the three and nine months ended January 31 can largely be attributed to the following:

- *Direct operational costs.* Direct operational costs increased \$1.6 million and \$3.5 million when comparing the three and nine months ended January 31, 2012 to the comparable prior fiscal year periods. The period-to-period change for the three months ended January 31 is primarily the result of \$0.5 million in increased landfill operating costs, \$0.3 million in increased depletion of landfill operating lease obligations and \$0.2 million in increased leachate disposal costs due to higher rainfall amounts at our landfills. The period-to-period change for the nine months ended January 31 is primarily the result of \$1.7 million in increased leachate disposal costs due to higher rainfall amounts at our landfills, \$0.7 million in increased landfill operating costs and \$0.6 million in increased depletion of landfill operating lease obligations.
- *Hauling costs.* Hauling costs increased \$1.5 million and \$5.7 million when comparing the three and nine months ended January 31, 2012 to the comparable fiscal year periods due to increased transportation costs associated with higher solid waste volumes.
- *Fuel costs.* Fuel costs increased \$0.9 million and \$3.6 million when comparing the three and nine months ended January 31, 2012 to the comparable fiscal year periods. Average fuel prices for both the three and nine months ended January 31, 2012, are significantly higher than the comparable prior fiscal year periods.
- *Increased direct labor costs.* Direct labor costs increased \$0.8 million and \$0.2 million when comparing the three and nine months ended January 31, 2012 to the comparable fiscal year periods due primarily to higher benefit costs associated with workers compensation and health insurance and higher outside labor costs in the three months ended January 31, 2012.
- *Increased costs of purchased materials.* Direct costs related to purchased materials increased \$2.3 million when comparing the nine months ended January 31, 2012 to the comparable prior fiscal year period due primarily to higher recycling commodity prices in the marketplace in the first and second quarter of fiscal year 2012. Falling recycling commodity prices in the three months ended January 31, 2012 have resulted in a \$0.4 million decrease in direct costs related to purchased materials from the comparable prior fiscal year period.
- *Vehicle maintenance costs.* In the three and nine months ended January 31, 2012, vehicle maintenance costs increased \$0.6 million and \$1.2 million due primarily to fleet maintenance.

General and Administration

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.

Our general and administration expense decreased \$0.9 million, or 6.1%, and \$0.2 million, or 0.4%, when comparing the three and nine months ended January 31, 2012 to the comparable prior fiscal year periods. In the three and nine months ended January 31, 2012, general and administration expenses decreased as a percentage of revenues when compared to the comparable prior fiscal year periods from 13.3% to 12.2% and from 13.0% to 12.4%. The period-to-period change in our general and administration expense during the three and nine months ended January 31 can largely be attributed to the following:

- *Equity compensation expense.* For the three and nine months ended January 31, 2012, equity compensation expense decreased \$0.8 million and \$0.7 million, respectively, when compared to the prior fiscal year periods due primarily to changes in our expected attainment levels associated with our outstanding performance stock units.
- *Bad debt expense.* For the nine months ended January 31, 2012, bad debt expense increased \$0.3 million when compared to the prior fiscal year period due to changes in our collectible accounts. Bad debt expense for the three months ended January 31, 2012 remained consistent when compared to the prior fiscal year period.
- *Legal and consulting costs.* In the three and nine months ended January 31, 2012, legal costs decreased \$0.3 million when compared to the prior fiscal year periods. Consulting costs, associated with a variety of initiatives, increased \$0.2 million in the three months ended January 31, 2012 when compared to the prior fiscal year period, resulting in a \$0.5 million increase in the year-to-date costs.

Depreciation and Amortization

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-consumption method, and the amortization of intangible assets (other than goodwill) using the straight-line method. We amortize landfill retirement assets through a charge to cost of operations 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. We amortize or depreciate all fixed and intangible assets, other than goodwill, to a zero net book value, and do not apply a salvage value to any fixed assets.

We capitalize certain direct landfill development costs, such as engineering, permitting, legal, construction and other costs associated directly with the expansion of existing landfills. Additionally, we also capitalize certain third party expenditures related to development projects and pending acquisitions, such as legal and engineering costs. We routinely evaluate all such capitalized costs, and expense 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.

We have material financial obligations relating to capping, closure and post-closure costs of our existing landfills and disposal facilities. We have provided 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.

- Our depreciation and amortization expense increased \$1.3 million, or 9.6%, and decreased \$0.4 million, or 0.9%, when comparing the three and nine months ended January 31, 2012 to the prior fiscal year periods. In the three months ended January 31, 2012, depreciation and amortization expense increased as a percentage of revenues when compared to the prior fiscal year period from 12.2% to 13.0%. In the nine months ended January 31, 2012, depreciation and amortization expense decreased as a percentage of revenue when compared to the prior fiscal year period from 12.6% to 11.9%. In the three and nine months ended January 31, 2012, landfill amortization expense increased by \$0.8 million and decreased by \$1.2 million, respectively, due to volume fluctuations at our landfills.

Legal Settlement

In the nine months ended January 31, 2012, our legal settlement expense increased \$1.4 million when compared to the comparable prior fiscal year period. In the second quarter of fiscal year 2012, we reached a settlement with the Town of Seneca for \$0.4 million. In the first quarter of fiscal year 2012, we reached a legal settlement with the Vermont Attorney General's Office for \$1.0 million. See Note 6, *Contingencies*, to our unaudited consolidated financial statements included under Item 1 of this Quarterly Report on Form 10-Q.

Gain on Sale of Assets

In the first quarter of fiscal year 2011, we completed the divestiture of the assets of our Cape Cod, Massachusetts operations along with the assets of our Rochester, Massachusetts transfer station. Total consideration for this sale amounted to \$7.8 million with cash proceeds of \$7.5 million. We recorded a gain on this sale of assets of \$3.5 million.

Development Project Charge

In the second quarter of fiscal year 2012, we recorded a charge of \$0.1 million in deferred costs associated with certain development projects no longer deemed viable.

Other Expenses

Interest Expense, net

Our interest expense, net decreased \$0.2 million, or 1.7%, and \$1.2 million, or 3.4%, when comparing the three and nine months ended January 31, 2012 to the comparable prior fiscal year periods. In the three and nine months ended January 31, 2012, interest expense, net decreased as a percentage of revenues when compared to the comparable prior fiscal year periods from 10.4% to 10.0% and from 9.9% to 9.1%. The changes in our interest expense, net during the three and nine months ended January 31, 2012 can largely be attributed to the following:

- *Lower interest rates.* The average interest rate on our variable rate debt decreased in the three and nine months ended January 31, 2012 compared to comparable prior fiscal year periods. We also experienced lower interest rates related to the refinancing of our amended and restated senior secured credit facility (the "2011 Revolver") in March 2011 and the offering of our 7.75% senior subordinated notes due 2019 (the "2019 Notes") in February 2011.
- *Higher debt levels.* Interest expense reductions related to lower interest rates in the three and nine months ended January 31, 2012 were partially offset by increased interest expense associated with higher average debt balances in the current fiscal year periods.

Loss (Income) from Equity Method Investments

Our loss (income) from equity method investments increased \$6.4 million and \$7.6 million when comparing the three and nine months ended January 31, 2012 to the comparable prior fiscal year periods. Our equity method investments consist of the following investments:

- *GreenFiber*. The change in the three and nine months ended January 31 is largely due to GreenFiber impairing the entire amount of their goodwill. We recorded our portion of the goodwill impairment charge amounting to \$5.1 million as loss on equity method investment in the three months ended January 31, 2012. The remainder of the change relates to the operational performance of GreenFiber, which has been negatively affected by the housing market and lack of new home construction.
- *Tompkins County*. We account for our 50% membership interest in Tompkins using the equity method of accounting. Our portion of the reported income from Tompkins for the three and nine months ended January 31, 2012 was immaterial.

Impairment of Equity Method Investment

As of December 31, 2011, GreenFiber performed a test for goodwill impairment. Based on the analysis performed, we determined that the current book value of our investment in GreenFiber exceeded its fair value. The analysis calculated GreenFiber's enterprise value based on the income approach using discounted cash flows taking into account current expectations for asset utilization, housing starts and the remaining useful life of related assets. Because the conditions resulting in the impairment existed as of January 31, 2012, we recorded a charge amounting to \$10.7 million as impairment on equity method investment in the three months ended January 31, 2012.

Provision for Income Taxes

Our provision for income taxes decreased \$0.5 million and \$0.8 million when comparing the three and nine months ended January 31, 2012 to the comparable prior fiscal year periods. The effective tax rate changed to (2.5)% for the three months ended January 31, 2012 from (20.4)% for the three months ended January 31, 2011. The effective tax rate changed to (4.8)% for the nine months ended January 31, 2012 from (35.8)% for the nine months ended January 31, 2011. The provision for income taxes for the nine months ended January 31, 2012 includes \$0.6 million in deferred tax provision, primarily related to an increase in the valuation allowance against deferred tax assets, and \$0.2 million in current tax provision. The deferred tax provision for the current period and the change in the effective tax rate between periods are primarily a result of an increase in the valuation allowance related to the book loss projected for the year, the provision of deferred tax liabilities related to indefinite lived intangible asset amortization for tax purposes and the allocation of income taxes to discontinued operations.

Discontinued Operations

Income (Loss) from Discontinued Operations, net

Discontinued operations in the three and nine months ended January 31, 2011 were the result of two separate transactions in fiscal year 2011; the sale of non-integrated recycling assets and select intellectual property assets and the sale of the Trilogy Glass business.

(Loss) Gain on Disposal of Discontinued Operations, net

Our loss on disposal of discontinued operations in the three and nine months ended January 31, 2011 was the result of two separate transactions in fiscal year 2011; the sale of non-integrated recycling assets and select intellectual property assets and the sale of the Trilogy Glass business. The \$0.7 million gain on disposal of discontinued operations (net of tax) recorded in the nine months ended January 31, 2012 is due to the additional working capital adjustment recorded in the second quarter of fiscal year 2012, which related to our subsequent collection of receivable balances that were released to us for collection by the company formed by Pegasus Capital Advisors, L.P. and Intersection LLC as a part of the divestiture, as well as the working capital adjustment and other legal expenses recorded in the first quarter of fiscal year 2012.

Segment Reporting

	Three Months Ended January 31,			
	2012	2011	2012	2011
	Revenues		Operating Income (Loss)	
Eastern	\$ 42.2	\$ 40.9	\$ (1.0)	\$ (0.5)
Western	50.7	48.7	5.3	5.9
Recycling	10.9	10.8	0.6	1.3
Other	10.8	11.2	(0.5)	(0.4)
Total	\$ 114.6	\$ 111.6	\$ 4.4	\$ 6.3

	Nine Months Ended January 31,			
	2012		2011	
	Revenues		Operating Income (Loss)	
Eastern	\$ 132.2	\$ 128.6	\$ (0.1)	\$ 1.9
Western	167.2	162.1	24.2	28.3
Recycling	37.6	31.8	4.9	2.9
Other	34.6	34.0	(2.7)	(1.9)
Total	\$ 371.6	\$ 356.5	\$ 26.3	\$ 31.2

Eastern Region

The Eastern region experienced revenue growth for the three and nine months ended January 31, 2012 compared to the comparable prior fiscal year periods, increasing by \$1.3 million, or 3.2%, and \$3.6 million, or 2.8%. Revenue growth for the three months ended January 31, 2012 was driven largely by improved pricing and increased volumes related to landfill and transfer stations within disposal operations and processing and organics operations. This growth was offset by decreased collection volumes, decreased Maine Energy disposal volumes, decreased commodity volumes and unfavorable commodity prices.

Revenue growth for the nine months ended January 31, 2012 was also driven by improved pricing and increased volumes related to landfill and transfer stations within disposal operations and processing and organics operations. However, in the nine months ended January 31, 2012, collection volumes increased and commodity prices, which were unfavorable in the three months ended January 31, 2012, were favorable. This growth was offset by decreased Maine Energy disposal volumes and decreased commodity volumes. Additionally, for the nine months ended January 31, 2012 revenue growth was offset by a divestiture in the collection and disposal segments.

Eastern region operating income for the three and nine months ended January 31, 2012 decreased \$0.5 million and \$2.0 million, respectively, compared to the comparable prior fiscal year periods. Operating income decreased in the three months ended January 31, 2012 due to increased operating expenses associated with hauling, fuel, outside labor and vehicle maintenance, along with increased depreciation and landfill amortization expense. These operating expenses were offset partially by favorable revenue growth and reductions of disposal, facility and incentive compensation costs.

Operating income decreased in the nine months ended January 31, 2012 primarily due to the gain on sale of assets of \$3.5 million recorded in the comparable prior fiscal year period, increased hauling and fuel costs, along with increased depreciation and bad debt expense, offset partially by favorable revenue growth and reductions of disposal, facility, incentive compensation and legal costs.

Western Region

Western region revenues for the three and nine months ended January 31, 2012 increased \$2.0 million, or 4.1%, and \$5.1 million, or 3.1%, compared to the comparable prior fiscal year periods. Revenue growth for the three months ended January 31, 2012 was driven largely by favorable pricing in all operations except for landfills within disposal operations, increased volumes related to processing operations and transfer station and landfills within disposal operations, increased commodity volumes and acquisitions. This growth was offset by unfavorable commodity prices and decreased collection and transportation volumes.

Revenue growth for the nine months ended January 31, 2012 was driven by favorable pricing in all operations except for landfills within disposal operations, increased volumes related to processing operations and transfer station and transportation within disposal operations, increased commodity volumes, favorable commodity prices and acquisitions. This growth was offset by decreased collection and landfill volumes.

Western region operating income for the three and nine months ended January 31, 2012 decreased by \$0.6 million and \$4.1 million, respectively, compared to the comparable prior fiscal year periods. The reduction of operating income for the three months ended January 31, 2012 is primarily due to increased operating expenses related to hauling, labor, fuel, facility, vehicle maintenance, leachate disposal and landfill operating costs, along with increased depreciation expense and landfill amortization. These increased operating expenses were partially offset by favorable revenue growth and decreased disposal and incentive compensation costs.

Operating income decreased in the nine months ended January 31, 2012 primarily due to increased hauling, labor, fuel, facility, vehicle maintenance, leachate disposal and landfill operating costs, along with increased depreciation expense, offset by favorable revenue growth and decreased disposal, incentive compensation and landfill amortization costs.

Recycling

Recycling revenues increased \$0.1 million, or 0.9%, when comparing the three months ended January 31, 2012 to the comparable prior fiscal year period driven primarily by volume increases of \$1.5 million significantly offset by unfavorable commodity pricing of \$1.4 million. Recycling revenues increased \$5.8 million, or 18.2%, when comparing the nine months ended January 31, 2012 to the comparable prior fiscal year period driven primarily by favorable commodity pricing of \$5.9 million partially offset by volume decreases of \$0.1 million.

Recycling operating income for the three months ended January 31, 2012 decreased by \$0.7 million compared to the comparable prior fiscal year period due primarily to limited revenue growth associated with unfavorable commodity prices and increased operating expenses related to labor, facility and marketing costs, along with increased bad debt and depreciation expense, offset by favorable recycled material costs.

Recycling operating income for the nine months ended January 31, 2012 increased by \$2.0 million compared to the comparable prior fiscal year period due primarily to improved revenues associated with favorable commodity prices. Revenue growth for the nine months ended January 31, 2012 was offset by unfavorable recycled material costs and increased operating expenses related to vehicle maintenance, marketing and facility costs, along with increased bad debt and depreciation expense.

Other

Other revenues decreased \$0.4 million, or 3.6%, when comparing the three months ended January 31, 2012 to the comparable prior fiscal year period driven by volume declines from major customer accounts, partially offset by increased transportation volumes. Other revenues increased by \$0.6 million, or 1.8%, when comparing the nine months ended January 31, 2012 to the comparable prior fiscal year period driven by increased transportation volumes, partially offset by volume declines from major customer accounts.

Other operating income for the three months ended January 31, 2012 remained consistent compared to the comparable prior fiscal year period, decreasing by \$0.1 million with decreased operating expenses related to hauling and equity compensation being more than offset by decreased revenues and increased operating expenses related to incentive compensation. Other operating income for the nine months ended January 31, 2012 decreased \$0.8 million compared to the comparable prior fiscal year period due primarily to favorable revenue growth related to improved transportation volumes and decreased operating expenses related to hauling and equity compensation being more than offset by increased operating expenses associated with incentive compensation, consulting, and legal settlements.

Liquidity and Capital Resources

Our business is capital intensive. Our capital requirements include acquisitions, fixed asset purchases and capital expenditures for landfill development and cell construction, as well as site and cell closure. Our capital expenditures are broadly defined as pertaining to either growth, maintenance or acquisition activities. Growth capital expenditures are defined as costs related to development of new airspace, permit expansions and new recycling contracts along with incremental costs of equipment and infrastructure added to further such activities. Growth capital expenditures include the cost of equipment added directly as a result of organic business growth, as well as expenditures associated with increasing infrastructure to increase throughput at transfer stations and recycling facilities. Growth capital expenditures also include those outlays associated with acquiring landfill operating leases, which do not meet the operating lease payment definition, but which were included as a commitment in the successful bid. Maintenance capital expenditures are defined as landfill cell construction costs not related to expansion airspace, costs for normal permit renewals and replacement costs for equipment due to age or obsolescence. Acquisition capital expenditures are defined as costs of equipment added directly as a result of new business growth related to an acquisition.

We had a net working capital deficit of \$20.5 million at January 31, 2012 compared to a deficit of \$13.3 million at April 30, 2011. Net working capital comprises current assets, excluding cash and cash equivalents, minus current liabilities. The \$7.2 million decrease in net working capital related largely to a \$6.9 million decrease in accounts receivable, net, a \$2.7 million decrease in the current portion of deferred income taxes, a \$3.0 million increase in current accrued capping, closure and post-closure costs, a \$2.8 million increase in accounts payable, offset partially by a \$1.3 million increase in refundable income taxes, a \$1.1 million increase in prepaid expenses, a \$1.3 million decrease in accrued interest, a \$0.7 million decrease in other accrued liabilities and a \$3.8 million decrease in income taxes payable.

Outstanding Long-Term Debt

2011 Senior Secured Revolving Credit Facility. The 2011 Revolver is a \$227.5 million revolving credit and letter of credit facility due March 18, 2016. If we fail to refinance the senior second lien notes (the "Second Lien Notes") by March 1, 2014, the maturity date for the 2011 Revolver shall be March 31, 2014. We have the right to request, at our discretion, an increase in the amount of the 2011 Revolver by an aggregate amount of \$182.5 million, subject to certain conditions set forth in the 2011 Revolver agreement. The 2011 Revolver is guaranteed jointly and severally, fully and unconditionally by all of our significant wholly-owned subsidiaries.

As of January 31, 2012, we were in compliance with all financial covenants contained in the 2011 Revolver as follows:

<u>Senior Secured Credit Facility Covenant</u>	<u>Twelve Months Ended January 31, 2012</u>	<u>Covenant Requirements at January 31, 2012</u>
Total funded debt / Bank-defined cash flow metric (1)	4.72	4.75 Max.
Senior funded debt / Bank-defined cash flow metric (1)	2.75	3.00 Max.
Interest coverage	2.42	2.35 Min.

- (1) Bank-defined cash flow metric is based on operating results for the twelve months preceding the measurement date, January 31, 2012. A reconciliation of net cash provided by operating activities to bank-defined cash flow metric is as follows (in millions):

	<u>Twelve Months Ended January 31, 2012</u>	
Net cash provided by operating activities	\$	51.0
Changes in assets and liabilities, net of effects of acquisitions and divestitures		1.6
Gain on sale of property and equipment and assets		1.0
Stock based compensation, net of excess tax benefit on exercise of options		(0.6)
Environmental remediation charge		(0.5)
Asset impairment charge		(3.7)
Bargain purchase gain		3.0
Interest expense plus amortization of premium on 9.75% senior subordinated notes less discount on senior secured term B loan and Second Lien Notes		43.9
Loss on debt refinancing		(7.4)
Benefit for income taxes, net of deferred taxes		(1.2)
Adjustments as allowed by Senior Secured Credit Facility Agreement		14.4
Bank - defined cash flow metric	\$	<u>101.5</u>

For the quarter ending April 30, 2012, the Total Funded Debt/Bank-defined cash flow metric covenant requirement will be reduced under the terms of the 2011 Revolver from a maximum of 4.75 to a maximum of 4.50. Based on the low end of the range of results forecasted by us for the quarter ending April 30, 2012, we have been working with our lenders to amend the terms of the 2011 Revolver to give us additional flexibility under this covenant. We believe that we will be able to procure such an amendment at a reasonable cost.

In addition to the financial covenants described above, the 2011 Revolver also contains a number of important negative covenants which restrict, among other things, our ability to sell assets, pay dividends, repurchase stock, incur debt, grant liens and issue preferred stock. As of January 31, 2012 we were in compliance with all covenants under the indenture governing the 2011 Revolver and we do not believe that these restrictions impact our ability to meet future liquidity needs except that they may impact our ability to increase our investments in third parties, including the joint ventures to which we are parties.

Further advances were available under the 2011 Revolver in the amount of \$109.4 million as of January 31, 2012. The available amount is net of outstanding irrevocable letters of credit totaling \$51.1 million as of January 31, 2012, at which date no amount had been drawn.

Second Lien Notes. As of January 31, 2012, we had \$180.0 million aggregate principal amount of 11% Second Lien Notes outstanding. The Second Lien Notes will mature on July 15, 2014, and interest accrues at the rate of 11% per annum. Interest is payable semiannually in arrears on January 15, and July 15 of each year. The Second Lien Notes are guaranteed jointly and severally, fully and unconditionally by all of the subsidiaries that guarantee the 2011 Revolver.

Although the Second Lien Notes do not contain financial ratio covenants, they do contain certain negative covenants which restrict, among other things, our ability to sell assets, make investments in joint ventures, pay dividends, repurchase stock, incur debt, grant liens and issue preferred stock. As of January 31, 2012, we were in compliance with all covenants under the indenture governing the Second Lien Notes and we do not believe that these restrictions impact our ability to meet future liquidity needs except that they may impact our ability to increase our investments in third parties, including the joint ventures to which we are parties.

2019 Notes. As of January 31, 2012, we had outstanding \$200.0 million of the 2019 Notes. The 2019 Notes will mature on February 15, 2019, and interest accrues at the rate of 7.75% per annum. Interest is payable semiannually in arrears on February 15 and August 15 of each year.

The indenture governing the 2019 Notes contains certain negative covenants which restrict, among other things, our ability to sell assets, make investments in joint ventures, pay dividends, repurchase stock, incur debt, grant liens and issue preferred stock. As of January 31, 2012, we were in compliance with all covenants under the indenture governing the 2019 Notes and we do not believe that these restrictions impact our ability to meet future liquidity needs except that they may impact our ability to increase our investments in third parties, including the joint ventures to which we are parties.

The 2019 Notes are fully and unconditionally guaranteed on a senior subordinated basis by substantially all of our existing and future domestic restricted subsidiaries that guarantee our 2011 Revolver and Second Lien Notes.

Maine Bonds. On December 28, 2005, we completed a \$25.0 million financing transaction involving the issuance by the Finance Authority of Maine (the "Authority") of \$25.0 million aggregate principal amount of its Solid Waste Disposal Revenue Bonds Series 2005 (the "Bonds"). The Bonds were issued pursuant to an indenture, dated as of December 1, 2005 and were enhanced by an irrevocable, transferable direct-pay letter of credit issued by a bank. Pursuant to a Financing Agreement, dated as of December 1, 2005, by and between us and the Authority, we have borrowed the proceeds of the Bonds to pay for certain costs relating to landfill development and construction, vehicle, container and related equipment acquisition for solid waste collection and transportation services, improvements to existing solid waste disposal, hauling, transfer station and other facilities, other infrastructure improvements, and machinery and equipment for solid waste disposal operations owned and operated by us, or a related party, all located in Maine.

On February 1, 2012, we converted the interest rate period on, and remarketed, \$21.4 million aggregate principal amount of the \$25.0 million Bonds. The mandatorily tendered Bonds (the "Converted Bonds") were converted from a variable rate to a five year fixed term interest rate of 6.25% per annum and included credit support for the benefit of the holders of those Converted Bonds, including guarantees by certain of our subsidiaries. The Converted Bonds are no longer secured by a letter of credit issued by a bank. The remaining \$3.6 million of outstanding Bonds will remain as variable rate bonds secured by a letter of credit issued by a bank. The Bonds mature on January 1, 2025. We expect to record a charge of approximately \$0.3 million as a loss on debt extinguishment in the fourth quarter of fiscal year 2012 related primarily to the non-cash write off of unamortized deferred financing costs associated with the original issuance of the Bonds. As of January 31, 2012, we had outstanding \$25.0 million of the Bonds.

Summary of Cash Flow Activity

The following table summarizes our cash flows for the nine months ended January 31, 2012 and 2011, respectively (in millions):

	Nine Months Ended	
	January 31,	
	2012	2011
Net cash provided by operating activities	\$ 49.7	\$ 45.9
Net cash used in investing activities	\$ (60.2)	\$ (38.3)
Net cash provided by (used in) financing activities	\$ 9.1	\$ (2.1)

Net cash flows provided by operating activities. Cash flows provided by operating activities increased by \$3.8 million to \$49.7 million for the nine months ended January 31, 2012 from \$45.9 million for the nine months ended January 31, 2011. The most significant items affecting the change in our operating cash flows for the nine months ended January 31, 2012 and 2011 are summarized below:

- *Loss from continuing operations.* Our loss from continuing operations increased \$21.1 million to (\$29.2) million for the nine months ended January 31, 2012 from (\$8.1) million for the nine months ended January 31, 2011. During the nine months ended January 31, 2012, we recorded a \$10.7 million non-cash impairment charge related to our investment in GreenFiber and a \$6.4 million loss from equity method investment, \$5.1 million of which related to GreenFiber writing off their goodwill. These charges combined with a \$3.5 million non-cash gain on sale of assets in the nine months ended January 31, 2011, which directly improved the results from continuing operations, largely make up the unfavorable change in loss from continuing operations period-over-period.
- *Changes in assets and liabilities, net of effects from business acquisitions and divestitures.* Our cash flow from operations was favorably impacted \$2.0 million in the nine months ended January 31, 2012 by changes in our assets and liabilities. This change is driven by favorable impacts related to our accounts receivable, which is affected by both revenue changes and timing of payments received, and accounts payable, which is effected by both cost changes and timing of payments. This favorable change was offset by unfavorable impacts related to prepaid expenses, inventories and other assets, which is affected primarily by the timing of payments, expense recognition, as well as cost changes, and accrued expenses and other liabilities, which is affected primarily by cost changes such as interest, the timing of payments, and changes related to accrued capping, closure, and post closure costs. This is compared to the nine months ended January 31, 2011, when our cash flow from operations was unfavorably impacted \$1.9 million by changes in our assets and liabilities. The favorable \$3.9 million change is due to the favorable \$3.1 million impact associated with the change in accounts receivable and the \$3.0 million change in accounts payable, offset by the (\$1.2) million change in prepaid expenses, inventories and other assets and the (\$1.0) million change in accrued expenses and other liabilities.

Net cash used in investing activities. Net cash used in investing activities was \$60.2 million in the nine months ended January 31, 2012 compared to \$38.3 million in the nine months ended January 31, 2011. The most significant items affecting the change in our investing cash flows for the nine months ended January 31, 2012 and 2011 are summarized below:

- *Capital expenditures.* Higher capital expenditures of \$7.8 million in the nine months ended January 31, 2012 related primarily to recycling facility upgrades, a landfill gas to energy project and fleet replacement.
- *Payments on landfill operating lease contracts.* Higher payments of \$1.1 million for landfill operating lease contracts in the nine months ended January 31, 2012 due to the timing of payments.
- *Investments in unconsolidated entities.* Cash payments of \$4.1 million in the nine months ended January 31, 2012 related to our contributions of \$0.6 million to Tompkins and AGreen and our additional \$3.5 million contribution to GreenFiber.
- *Proceeds from the sale of assets.* A decrease of \$7.5 million in cash proceeds related to the sale of certain assets in Southeastern Massachusetts in the nine months ended January 31, 2011.
- *Acquisitions, net of cash acquired.* During the nine months ended January 31, 2012, we acquired five solid waste hauling operations and completed the acquisition of the McKean County landfill business in Pennsylvania by acquiring additional equipment not included in the original transaction for total consideration of \$2.3 million, including \$2.1 million in cash and \$0.2 million in holdbacks to sellers. During the nine months ended January 31, 2011, there were no business acquisitions.

Net cash provided by (used in) financing activities. Net cash provided by (used) in financing activities was \$9.1 million for the nine months ended January 31, 2012 compared to (\$2.1) million in the nine months ended January 31, 2011. The most significant items affecting the change in our financing cash flows for the nine months ended January 31, 2012 and 2011 are summarized below:

- *Debt activity.* Decreased debt borrowings of \$6.2 million more than offset by decreased payments of \$16.9 million in the nine months ended January 31, 2012.

We generally meet liquidity needs from operating cash flow and the 2011 Revolver. These liquidity needs are primarily for capital expenditures for vehicles, containers and landfill development, debt service costs and capping, closure and post-closure expenditures and acquisitions.

Our strategy to hedge against fluctuations in variable interest rates involves entering into interest rate derivative agreements to hedge against adverse movements in interest rates. In the second quarter of fiscal year 2012, we entered into two forward starting interest rate derivative agreements to hedge interest rate risk of a forecasted transaction effective January 15, 2013. The forecasted transaction will be used to redeem our outstanding \$180.0 million 11% Second Lien Notes due 2014.

The forecasted transaction is expected to occur between July 15, 2012 and October 31, 2012 as the Second Lien Notes become callable on July 15, 2012. The total notional amount of these agreements is \$150.0 million and requires us to receive interest based on changes in the London Interbank Offered Rate (“LIBOR”) index and pay interest at a rate of approximately 1.40%. The agreements mature in March of 2016, which is when the 2011 Revolver becomes due.

We use a variety of strategies to mitigate the impact of fluctuations in commodity prices including entering into fixed price contracts and entering into hedges which 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. As of January 31, 2012, we were not party to any commodity hedging agreements. For further discussion on commodity price volatility, see “Item 3 — Quantitative and Qualitative Disclosures about Market Risk — Commodity Price Volatility” below.

We have filed a universal shelf registration statement with the SEC pursuant to which we may from time to time issue securities in an amount of up to \$250.0 million. Our ability and willingness to issue securities pursuant to this registration statement will depend on market conditions at the time of any such desired offering and therefore we may not be able to issue such securities on favorable terms, if at all.

Inflation and Prevailing Economic Conditions

To date, inflation has not had a significant impact on our operations. Consistent with industry practice, most of our contracts provide for a pass-through of certain costs, including increases in landfill tipping fees and, in some cases, fuel costs. We have implemented a fuel surcharge program, which is designed to recover escalating fuel price fluctuations above an expected floor. We therefore believe we should be able to implement price increases sufficient to offset most cost increases resulting from inflation. However, competitive factors may require us to absorb at least a portion of these cost increases, particularly during periods of high inflation.

Our business is located in the northeastern United States. Therefore, our 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. We are unable to forecast or determine the timing and/or the future impact of a sustained economic slowdown.

Limitations on Ownership of Notes

Pursuant to the first paragraph of Section 2.17 of the indentures governing the Second Lien Notes, Section 2.19 of the 2019 Notes and, effective February 1, 2012, the provisions of the Converted Bonds, no beneficial holder of the Second Lien Notes, 2019 Notes and/or Converted Bonds is permitted to knowingly acquire Second Lien Notes, 2019 Notes and/or Converted Bonds if such person would own 10% or more of the consolidated debt for which relevant subsidiaries of ours are obligated (and must dispose of Second Lien Notes, 2019 Notes and Converted Bonds or other debt of ours to the extent such person becomes aware of exceeding such threshold), if such ownership would require consent of any regulatory authority under applicable law or regulation governing solid waste operators and such consent has not been obtained. We will furnish to the holders of the Second Lien Notes, 2019 Notes and Converted Bonds, in each quarterly and annual report, the dollar amount of our debt that would serve as the threshold for evaluating a beneficial holder’s compliance with these ownership restrictions. As of January 31, 2012, that dollar amount, which excludes the Converted Bonds, was \$44.7 million.

Critical Accounting Policies and Estimates

The preparation of our unaudited consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and assumptions which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. The results of its evaluation form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions and circumstances. Our significant accounting policies are more fully discussed in Item 8 of our Annual Report on Form 10-K for the year ended April 30, 2011.

Adoption of New Accounting Pronouncements

For a description of the new accounting standards adopted that may affect us, see Note 1 to our unaudited consolidated financial statements included under Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate volatility

We had interest rate risk relating to approximately \$92.0 million of long-term debt at January 31, 2012. The weighted average interest rate on the variable rate portion of long-term debt was approximately 4.1% at January 31, 2012. 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 \$0.2 million for the quarter reported.

The remainder of our long-term debt is at fixed rates and not subject to interest rate risk.

We are currently entered into two forward starting interest rate derivative agreements to hedge interest rate risk of a forecasted transaction effective January 15, 2013. The forecasted transaction will be used to redeem our outstanding \$180.0 million 11% Second Lien Notes due 2014. The forecasted transaction is expected to occur between July 15, 2012 and October 31, 2012 as these notes become callable on July 15, 2012. The total notional amount of these agreements is \$150.0 million and requires us to receive interest based on changes in the LIBOR index and pay interest at a rate of approximately 1.40%. The agreements mature in March 2016, which is when the 2011 Revolver becomes due.

Commodity price volatility

Through our Recycling operation, we market a variety of materials, including fibers such as old corrugated cardboard (“OCC”) and old newsprint (“ONP”), plastics, glass, ferrous and aluminum metals. We use a number of strategies to mitigate impacts from commodity price fluctuations, such as indexed purchases, floor prices, fixed price agreements, and revenue share arrangements. As of January 31, 2012, we were not party to any commodity hedge contracts. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives.

If commodity prices were to have changed by 10% in the quarter ended January 31, 2012, management’s estimate of the impact on our operating income for such quarter is between \$0.1 million and \$0.3 million. Our sensitivity to changes in commodity prices is complex because each customer contract is unique relative to revenue sharing, tipping or processing fees and other arrangements. The above estimated ranges of operating income impact may not be indicative of future operating results and actual results may vary materially.

ITEM 4. CONTROLS AND PROCEDURES

a) *Evaluation of disclosure controls and procedures.* Our management, with the participation of the chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of January 31, 2012. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including the principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of January 31, 2012, our chief executive officer and chief financial officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

b) *Changes in internal controls.* No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended January 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of our business and as a result of the extensive governmental regulation of the solid waste industry, we are subject to various judicial and administrative proceedings involving state or local agencies. In these proceedings, an agency may seek to impose fines or to revoke or deny renewal of an operating permit held by us. From time to time, we may also be subject to actions brought by special interest or other groups, adjacent landowners or residents in connection with the permitting and licensing of landfills and transfer stations, or alleging environmental damage or violations of the permits and licenses pursuant to which we operate. In addition, we are party to various claims and suits pending for alleged

damages to persons and property, alleged violations of certain laws and alleged liabilities arising out of matters occurring during the normal operation of the waste management business.

We offer no prediction of the outcome of any of the proceedings or negotiations described below. We are vigorously defending each of these lawsuits and claims. However, there can be no guarantee we will prevail or that any judgments against us, if sustained on appeal, will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

North Country Landfill Expansion

Our subsidiary, North Country Environmental Services, Inc. (“NCES”) is located in Bethlehem, New Hampshire, and is currently permitted to accept municipal solid waste and C&D material from a wide geographic region.

NCES and the Town of Bethlehem (the “Town”) have been engaged in prolonged zoning litigation over NCES’s expansion of the landfill. There were two court actions between NCES and the Town: a declaratory judgment action initiated by NCES on September 12, 2001 and a zoning enforcement action initiated by the Town on February 2, 2009. On February 5, 2010, the court granted NCES’s motion to consolidate the remanded action with the enforcement action. The trial of the consolidated actions was set for March 2012. On October 17, 2011, NCES and the Town held mediated settlement discussions and reached an agreement in principle for the settlement of the litigation between them. The parties then entered into a formal settlement agreement dated as of November 22, 2011. The settlement was conditioned upon approval of a modification of the town’s zoning by the town’s voters at a specially called town meeting. That meeting took place on January 17, 2012, and the zoning changes were approved by a wide margin. The settlement became effective immediately upon approval of the zoning change. Among other things, the settlement results in an expansion of the area in which landfilling is a permitted use, payment of host community fees to the town, and provision of curbside pickup of residential municipal solid waste and recyclables at no charge to the town or its residents for the life of the landfill. The litigation with the Town was dismissed with prejudice on January 23, 2012.

On April 29, 2010, NCES filed an application with NHDES to modify its Stage IV permit to develop nearly all of the remaining undeveloped capacity under that permit. On August 27, 2010, NHDES granted the permit modification, thereby authorizing NCES to develop Stage IV, Phase 2, of the landfill, comprising approximately one million cubic yards of disposal capacity. There was an administrative appeal of this approval filed with the New Hampshire Waste Management Council by a group of local citizens that sought to invalidate the approval. NCES sought and obtained dismissal of this appeal on the ground that the appellants lack standing to bring it. On February 14, 2011, NHDES issued construction approval for Stage IV, Phase 2-A, of the landfill, and construction commenced shortly thereafter. The group of local citizens who had appealed the August 27, 2010, permit modification also appealed the construction approval to the Waste Management Council. NCES sought and obtained dismissal of this appeal on the grounds it was untimely filed. The local citizens have sought rehearing of the dismissal of both of their appeals, and both motions for rehearing were denied in January 2012. Appeals from decisions of the Waste Management Council are directly to the New Hampshire Supreme Court and must be filed within thirty days of the denial of a motion for rehearing. Acceptance of any such appeals is within the court’s discretion. The filing of an appeal of a NHDES approval does not suspend or otherwise affect the approval. Accordingly, NCES has completed the construction of the Stage IV, Phase 2-A capacity at the Landfill. The local citizens, who had appealed the February 14, 2011 construction approval to the Waste Management Council, had until February 8, 2012 to appeal the dismissal of their administrative appeal to the New Hampshire Supreme Court and they did not file a timely notice of appeal. This leaves the potential appeal to the New Hampshire Supreme Court of the Waste Management Council’s dismissal of the administrative appeal of the August 27, 2010 approval as the only litigation involving NCES that is not yet resolved with finality.

Southbridge Landfill Site Assignment Appeal

On June 9, 2008, the Southbridge Board of Health (“Southbridge BOH”) issued a Decision and Statement of Findings pursuant to Massachusetts General Laws ch.111, §§150A and 150 A1/2 and 310 CMR 16.00 (“2008 Site Assignment”) granting our subsidiary, Southbridge Recycling and Disposal Park, a minor modification to the existing site assignment for the Southbridge Sanitary Landfill (the “Landfill”). The 2008 Site Assignment allows Southbridge Recycling and Disposal Park, subject to numerous conditions, to accept into the Landfill up to 0.4 million tons of waste per year without regard to geographic origin.

On or about July 14, 2008, the Sturbridge Board of Health (“Sturbridge BOH”), an abutting municipality to Southbridge, together with several 10-citizen groups, filed a complaint in Worcester County Superior Court contesting the 2008 Site Assignment (the “Appeal”). The Appeal named as defendants the Southbridge BOH, its individual members and Southbridge Recycling and Disposal Park. On August 21, 2008, Southbridge Recycling and Disposal Park reached a settlement with the Sturbridge BOH, pursuant to which Southbridge Recycling and Disposal Park has funded an escrow account to be controlled by the Sturbridge BOH in the amount of fifty thousand dollars. The Sturbridge BOH withdrew as a party to the Appeal on August 22, 2008.

On December 11, 2009, the Worcester County Superior Court dismissed the plaintiffs’ complaint following briefing and a court hearing. Plaintiffs appealed that decision, and we filed a joint motion with the Southbridge BOH to dismiss that appeal, contending that the appeal was filed late and is subject to dismissal as a matter of law. On November 19, 2010, all parties received Notice from the Appeals Court Clerk’s Office that this appeal would be heard by the Massachusetts Supreme Judicial Court, upon its own motion. This hearing occurred on October 4, 2011 and on January 10, 2012 the Supreme Judicial Court issued an opinion dismissing Plaintiff’s action and finding for the Southbridge Board of Health and Southbridge Recycling and Disposal Park on all counts. On January 12, 2012, without explanation, the Supreme Judicial Court “withdrew” this opinion. On February 22, 2012, the Supreme Judicial Court reissued an opinion in the matter, finding for the Southbridge Board of Health and Southbridge Recycling and Disposal Park on three of the four issues, including a decision on the merits of the plaintiff’s case in favor of the Board, in the Court’s words, to “bring a final resolution to this case.” The case was remanded to the Worcester Superior Court for entry of a judgment of dismissal for lack of standing.

Town of Seneca Matter

Casella Waste Services of Ontario, LLC operates the Ontario County Landfill and recycling facilities located in the Town of Seneca (the “Town of Seneca”), New York, pursuant to an Operation, Management and Lease Agreement with Ontario County (the “OMLA”), and a Host Agreement with the Town of Seneca (the “Host Agreement”).

On May 6, 2011, the Town of Seneca filed a complaint in Ontario County Supreme Court naming Ontario County (the “County”) and various entities of ours as defendants, alleging that we and the County breached obligations to the Town of Seneca under both the Host Agreement and the OMLA. The Town of Seneca’s complaint alleged a variety of contract breaches stemming from our decision to pay the County stipulated in-lieu fees for certain projects described in the OMLA rather than constructing those projects. In September 2011, we, the County and the Town of Seneca executed a global settlement, and the Town of Seneca’s suit was dismissed with prejudice. Under the terms of the settlement, we provided certain construction materials to the Town of Seneca valued at \$0.1 million and engineering studies completed to date valued at \$0.3 million, thus recording a charge against operations amounting to \$0.4 million in the second quarter of fiscal year 2012. We also established a protection plan whereby we agree to reimburse certain Town of Seneca residents for approved costs to repair septic systems. Our exposure under this protection plan shall not exceed \$0.1 million.

Vermont Attorney General Matter

We entered into an Assurance of Discontinuance (“AOD”) with the Vermont Attorney General’s Office (“AG”) on or about May 17, 2002, concerning, among other matters, the conduct of our business in Vermont as related to certain contract terms applicable to our small commercial container customers. On March 23, 2010, we received a Civil Investigative Subpoena (“CIS”) from the AG requesting information and documents regarding our compliance with the AOD. In the course of responding to the AG’s requests, we discovered that some of our small commercial container customers were mistakenly issued contracts which did not strictly comply with the terms of the AOD. This error occurred during a one year period starting in 2009 and ending in 2010, and only a portion of our small commercial container customers in Vermont were affected. We terminated the use of these noncompliant contracts, and issued revised contracts to those affected customers. We had not sought to enforce the terms of any of these contracts.

We worked with the AG to resolve these technical violations of the AOD, and reached an agreement on August 12, 2011 with the AG for us to pay a civil penalty in the amount of \$1.0 million, in staged payments starting in September 2011, and concluding on December 30, 2011. This amount was recorded in the first quarter of fiscal year 2012 and all payments to the AG have been timely made by us. A Revised Final Judgment of Consent and Order was entered on August 15, 2011 (the “Revised Order”) by the Vermont Superior Court Washington Unit, Civil Division. The Revised Order extended some of the conditions of the AOD for ten years from entry of the Revised Order, and requires us to institute certain policies, procedures and employee training regimens applicable to our affected Vermont employees to ensure that all contracts used by us for the provision of services to our small commercial container customers comply with the AOD.

On May 31, 2011 we received formal written notice from the Penobscot Energy Recovery Company (“PERC”) submitting to arbitration what it alleges is a disputed invoice in the amount of approximately \$3.2 million dated March 2, 2011. PERC contended that Pine Tree Waste, Inc., our subsidiary, failed since 2001 to honor a “put-or-pay” waste disposal arrangement. Arbitration of this matter was initiated, but in January 2012 a global settlement was reached in principle and memorialized in a letter of intent dated February 1, 2012, which documented the final terms of the settlement and dismissal of the arbitration action. If necessary, we will aggressively defend against this claim in arbitration and/or the courts. Pursuant to the terms of the settlement no cash payout is required. We anticipate that there may be nonmaterial incremental operational expenses that arise from implementing the terms of the settlement with regard to waste deliveries. We believe that until the terms of the settlement are fully agreed upon and executed and the arbitration dismissed, a loss in the range of zero to \$3.2 million is still reasonably possible but not probable.

Environmental Liability

We are subject to liability for environmental damage, including personal injury and property damage, that our 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 we acquired the facilities. We may also be subject to liability for similar claims arising from off-site environmental contamination caused by pollutants or hazardous substances if we or our predecessors arrange or arranged to transport, treat or dispose of those materials.

On December 20, 2000, the State of New York Department of Environmental Conservation (“DEC”) issued an Order on Consent (“Order”) which named Waste-Stream, Inc. (“WSI”), our subsidiary, General Motors Corporation (“GM”) and Niagara Mohawk Power Corporation (“NiMo”) as Respondents. The Order required that the Respondents undertake certain work on a 25-acre scrap yard and solid waste transfer station owned by WSI, including the drafting of a Remedial Investigation and Feasibility Study (the “Study”). A draft of the Study was submitted to DEC in January 2009 (followed by a final report in May 2009). The Study estimates that the undiscounted costs associated with implementing the preferred remedies will be approximately \$10.2 million and it is unlikely that any costs relating to onsite remediation will be incurred until fiscal year 2012. On February 28, 2011, the DEC issued a Proposal Remedial Action Plan (the “PRAP”) for the site and accepted public comments on the proposed remedy through March 29, 2011. We submitted extensive comments. In April 2011, the DEC issued the final Record of Decision (“ROD”) for the site. The ROD was subsequently rescinded for failure to respond to all submitted comments. The preliminary ROD, however, estimated that the estimated present worth cost associated with implementing the preferred remedies would be approximately \$12.1 million. The DEC issued the final ROD in June 2011 with proposed remedies consistent with the earlier ROD that had been rescinded.

WSI is jointly and severally liable for the total cost to remediate and we initially expected to be responsible for approximately 30% upon implementation of a cost-sharing agreement with NiMo and GM. Based on these estimates, we recorded an environmental remediation charge of \$2.8 million in third quarter of fiscal year 2009. In the fourth quarter of fiscal year 2009, we recognized an additional charge of \$1.5 million, representing an additional 15% of the estimated costs, in recognition of the deteriorating financial condition and eventual bankruptcy filing of GM. In the fourth quarter of fiscal year 2010, we recognized an additional charge of \$0.3 million based on changes in the expected timing of cash outflows. Based on the estimated costs in the ROD, and changes in the estimated timing of cash flows, we recorded an environmental remediation charge of \$0.5 million in the fourth quarter of fiscal year 2011. Such charges could be significantly higher if costs exceed estimates. We inflate these estimated costs in current dollars until the expected time of payment and discount the cost to present value using a risk free interest rate (2.31%). At January 31, 2012 and April 30, 2011, we have recorded liabilities amounting to \$5.2 million and \$5.1 million, respectively, including the recognition of \$0.03, \$0.03, \$0.1, and \$0.1 million of accretion expense in the three and nine months ended January 31, 2012 and 2011, respectively.

In September 2011, DEC settled its environmental claim against the estate of the former GM (known as the “Motors Liquidation Trust”) for future remediation costs relating to the WSI site for face value of \$3.0 million. In addition, in November 2011 we settled our own claim against the Motors Liquidation Trust for face value of \$0.1 million. These claims will, however, be paid in stocks and warrants of the “new” GM. There is at this time no way to accurately estimate when these claims will be paid or what the value of the actual recovery will be and we have not assumed that the payment of these claims will materially reduce our exposure.

ITEM 1A. RISK FACTORS

Our business is subject to a number of risks, including those identified in Item 1A, “Risk Factors” of our 2011 Annual Report on Form 10-K for the year ended April 30, 2011, that could have a material effect on our business, results of operations, financial condition and/or liquidity and that could cause our operating results to vary significantly from period to period. As of January 31, 2012, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended April 30, 2011, other than the risk that, without an amendment from our lenders, we may not be in compliance with the Total Funded Debt/Bank-defined cash flow metric covenant requirement under our 2011 Revolver as of the end of the fourth fiscal quarter. We may disclose additional changes to our risk factors or disclose additional factors from time to time in our future filings with the SEC.

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: March 2, 2012

By: /s/ Edwin D. Johnson
Edwin D. Johnson
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer and Duly Authorized Officer)

Exhibit Index

10.1 +	First Amendment to FAME Financing Agreement.
10.2 +	FAME Guaranty Agreement.
12.1 +	Statement of Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.
31.1 +	Certification of John W. Casella, Chairman of the Board of Directors and Chief Executive Officer pursuant to Section 302 of the Sarbanes — Oxley Act of 2002.
31.2 +	Certification of Edwin D. Johnson, Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes — Oxley Act of 2002.
32.1 ++	Certification pursuant to 18 U.S.C. Section 1350 of John W. Casella, Chairman of the Board of Directors and Chief Executive Officer, pursuant to Section 906 of the Sarbanes — Oxley Act of 2002.
32.2 ++	Certification pursuant to 18 U.S.C. Section 1350 of Edwin D. Johnson, Senior Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes — Oxley Act of 2002.
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema Document.**
101.CAL	XBRL Taxonomy Calculation Linkbase Document.**
101.LAB	XBRL Taxonomy Label Linkbase Document.**
101.PRE	XBRL Taxonomy Presentation Linkbase Document.**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.**

** - Submitted Electronically Herewith. Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Operations for the three and nine months ended January 31, 2012 and 2011, (ii) Consolidated Balance Sheets at January 31, 2012 and April 30, 2011, (iii) Consolidated Statements of Cash Flows for the nine months ended January 31, 2012 and 2011, and (iv) Notes to Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

+ - Filed Herewith

++ - Furnished Herewith

FINANCE AUTHORITY OF MAINE

and

CASELLA WASTE SYSTEMS, INC.

FIRST AMENDMENT

Dated as of February 1, 2012

to

FINANCING AGREEMENT

Dated as of December 1, 2005

Relating to

FINANCE AUTHORITY OF MAINE
SOLID WASTE DISPOSAL REVENUE BONDS
(CASELLA WASTE SERVICES, INC. PROJECT)
SERIES 2005

CONSISTING OF

\$3,600,000
SERIES 2005R-1

AND

\$21,400,000
SERIES 2005R-2

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FIRST AMENDMENT TO FINANCING AGREEMENT

This FIRST AMENDMENT TO FINANCING AGREEMENT (the "First Amendment"), dated as of February 1, 2012, between FINANCE AUTHORITY OF MAINE (the "Authority"), and CASELLA WASTE SYSTEMS, INC., a corporation duly organized and existing under the laws of the State of Delaware (the "Company");

WITNESSETH:

WHEREAS, the Authority previously issued its \$25,000,000 Finance Authority of Maine Solid Waste Disposal Revenue Bonds (Casella Waste Systems, Inc. Project) Series 2005 (the "Bonds") pursuant to an Indenture dated as of December 1, 2005 (as amended and supplemented prior to the date hereof and as of the date hereof, the "Indenture") between the Authority and U.S. Bank National Association (as successor to LaSalle Bank National Association), as trustee (the "Trustee"); and

WHEREAS, the Authority and the Company entered into a Financing Agreement (the "Original Agreement") dated as of December 1, 2005, pursuant to which the Authority loaned the proceeds of the Bonds to the Company to finance the Project; and

WHEREAS, pursuant to Section 10.5 of the Original Agreement and Section 9.5 of the Indenture, the parties are permitted to amend the Original Agreement by written agreement of the Authority and the Company and upon the written consent of the Trustee and the Credit Provider and, with respect to certain amendments, the consent of the Holders of a majority in principal amount of the Bonds affected thereby then Outstanding; and

WHEREAS, the Company intends to cause a portion of the Bonds in the aggregate amount of \$21,400,000 (the "Series 2005R-2 Bonds") to bear interest at a Term Interest Rate effective as of February 1, 2012, and on the date of such conversion from the Weekly Rate to a Term Interest Rate (the "Conversion Date"), the Series 2005R-2 Bonds shall be subject to mandatory tender for purchase; and

WHEREAS, in connection with such conversion, the Company and the Authority have agreed to modify the Original Agreement to provide for guarantees in favor of the Trustee with respect to the Series 2005R-2 Bonds during any time when a Letter of Credit is not in effect supporting such Bonds, and to make other modifications to the Original Agreement; and

WHEREAS, the amendments set forth in this First Amendment shall be effective as of the Conversion Date, and (i) with respect to the Series 2005R-1 Bonds, the Credit Provider has consented to such amendments on such date as evidenced by its written consent hereto, and (ii) with respect to the Series 2005R-2 Bonds, the Holders of the Series 2005R-2 Bonds in the Term Interest Rate Period shall be deemed to have consented to such terms and amendments on such date, as evidenced by their purchase of the remarketed Series 2005R-2 Bonds;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

Section 1. Definitions and Interpretations.

(a) **Terms.** Terms not otherwise defined herein shall have the meanings set forth in Section 1.1 of the Indenture and in the Guaranty. While Bonds bear interest in different Interest Rate Periods, the term “Bonds” shall mean only the Bonds of the applicable subseries bearing interest in a particular Interest Rate Period, as the context may require.

(b) **Definitions of Terms.** The following terms have the following meanings in the Indenture and the Original Agreement:

(1) “Capital Lease” means a lease under which the Company is the lessee or obligor, the discounted future rental payment obligations under which are required to be capitalized on the balance sheet of the lessee or obligor in accordance with GAAP.

(2) “Change of Control” means the occurrence of any of the following (with capitalized terms used herein having the meaning ascribed thereto in the Senior Subordinated Note Indenture):

- (a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the Beneficial Owner, directly or indirectly, of securities representing 50% or more of the voting power of all Voting Stock of the Company; or
- (b) Continuing Directors shall cease to constitute at least a majority of the directors constituting the board of directors of the Company; or
- (c) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act); or
- (d) the Company consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for Voting Stock (other than Disqualified Capital Stock) of the surviving or transferee Person or the parent of such surviving or transferee Person representing a

majority of the voting power of all Voting Stock of such surviving or transferee Person or the parent of such surviving or transferee Person immediately after giving effect to such issuance; or

(e) the adoption by the stockholders of the Company of a plan or proposal for the liquidation or dissolution of the Company.

(3) “Exchange Act” means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

(4) “GAAP” means generally accepted accounting principles as in effect on the date of the First Amendment as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession.

(5) “U.S. Legal Tender” means any such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

(c) References to Guarantor/Guaranty. Notwithstanding anything contained herein to the contrary, provisions referencing the Guarantors and/or the Guaranty shall be deemed to apply only to those subseries of the Bonds that have been guaranteed by the Guarantors pursuant to the Guaranty.

Section 2. Amendment to Article IV — Loan of Proceeds; Repayment Provision.

The third paragraph of Section 4.2(a) of the Original Agreement is hereby amended and restated in its entirety to read as follows:

“The obligation of the Company to make any payment required by this Section 4.2(a) shall be deemed to have been satisfied to the extent of any corresponding payment made (i) by a Credit Provider to the Trustee pursuant to a Letter of Credit then in effect with respect to the Bonds, if any, or (ii) with respect to the Series 2005R-2 Bonds, by one or more Guarantors pursuant to the Guaranty.”

Section 3. Amendments to Article V — Special Covenants and Agreements.

(a) Section 5.3 of the Original Agreement is hereby amended and restated in its entirety to read as follows:

“Section 5.3 The Company’s Maintenance of Its Existence.

The Company covenants and agrees that during the term of this Agreement it (a) will maintain its existence as a corporation in good standing in the State of Delaware and qualified to do business in the State, (b) will not dissolve, sell or otherwise dispose of all or substantially all of its assets and (c) will not combine or consolidate with or merge into another entity so that the Company is not the resulting or surviving entity (any such sale, disposition, combination or merger shall be referred to hereafter as a “transaction”); provided that the Company may enter into such transaction with the prior consent of the Authority, which consent shall not be unreasonably withheld, if (i) the surviving or resulting transferee, person or entity, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Company hereunder, (ii) the surviving or resulting transferee, person or entity, as the case may be, qualifies to do business in the State and (iii) the Company shall deliver to the Authority and Trustee prior to or substantially contemporaneously with the consummation of the transaction an Approving Opinion.

If a merger, consolidation, sale or other transfer is effected, as provided in this Section, all provisions of this Section shall continue in full force and effect and no further merger, consolidation, sale or transfer shall be effected except in accordance with the provisions of this Section.

Notwithstanding the foregoing, for so long as Section 5.13 hereof shall be in effect with respect to a subseries of Bonds, the covenants set forth in Subsections 5.3(b) and 5.3(c) above shall not be effective with respect to such subseries of Bonds.”

(b) Article V of the Original Agreement is hereby amended by adding the following new Section 5.13 to the end thereof, which provision shall only apply for so long as the Series 2005R-2 Bonds are in the initial Term Interest Rate Period ending on January 31, 2017 and are not secured by a Letter of Credit:

“Section 5.13 Change of Control.

The provisions of this Section 5.13 shall be effective only for so long as the Series 2005R-2 Bonds are in the initial Term Interest Rate Period ending on January 31, 2017 and are not secured by a Letter of Credit.

If a Change of Control occurs, each Holder of Series 2005R-2 Bonds will have the right to require the Company to repurchase all or any part (in a principal amount equal to \$5,000 or an integral multiple of \$5,000 in excess thereof; provided that no such repurchase may result in a Holder owning less than an Authorized Denomination) of that Holder’s Series 2005R-2 Bonds pursuant to a Change of Control Offer (the “Change of Control Offer”). In the Change of Control Offer, the Company will offer to pay an amount in cash (the “Change of Control Payment”) equal to 101% of the aggregate principal amount of Series

2005R-2 Bonds repurchased, plus accrued and unpaid interest thereon, if any, to the date of purchase. Within 30 days following any Change of Control, the Company will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Series 2005R-2 Bonds on the date (the "Change of Control Payment Date") specified in such notice, which date shall be a Business Day no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by this Agreement and described in such notice. Such notice shall state:

- (1) that the Change of Control Offer is being made pursuant to this Section 5.13 and that all Series 2005R-2 Bonds tendered and not withdrawn will be accepted for payment;
- (2) the purchase price (including the amount of accrued interest) and the Change of Control Payment Date;
- (3) that any Series 2005R-2 Bond not tendered will continue to accrue interest;
- (4) that, unless the Company defaults in making payment therefor, any Series 2005R-2 Bond accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date;
- (5) that Holders electing to have a Series 2005R-2 Bond purchased pursuant to a Change of Control Offer will be required to surrender the Series 2005R-2 Bond, with the form entitled "Option of Holder to Elect Purchase" on the Series 2005R-2 Bond completed, to the Trustee at the address specified in the notice prior to the close of business on the third Business Day prior to the Change of Control Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Trustee receives, not later than the close of business (5:00 p.m. New York time) on the second Business Day prior to the Change of Control Payment Date, a telegram, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Series 2005R-2 Bonds the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Series 2005R-2 Bonds purchased;
- (7) that Holders whose Series 2005R-2 Bonds are purchased only in part will be issued new Series 2005R-2 Bonds in a principal amount equal to the unpurchased portion of the Series 2005R-2 Bonds surrendered; and
- (8) the circumstances and relevant facts regarding such Change of Control.

On or before the Change of Control Payment Date, the Company will, to the extent lawful:

- accept for payment all Series 2005R-2 Bonds or portions thereof properly tendered pursuant to the Change of Control Offer;
- deposit with the Paying Agent U.S. Legal Tender sufficient to pay the Change of Control Payment in respect of all Series 2005R-2 Bonds or portions thereof so tendered; and
- deliver or cause to be delivered to the Trustee the Series 2005R-2 Bonds so accepted together with a certificate of an Authorized Representative stating the aggregate principal amount of Series 2005R-2 Bonds or portions thereof being purchased by the Company.

The Company will cause the Paying Agent to promptly pay to each Holder of Series 2005R-2 Bonds so tendered the Change of Control Payment for such Series 2005R-2 Bonds (in the same manner as payment of interest on the Series 2005R-2 Bonds, to the Bondholders of record, or Direct Participants with respect to Book-Entry Bonds, on the Record Date), and the Company will cause the Trustee to promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Series 2005R-2 Bond equal in principal amount to any unpurchased portion of the Series 2005R-2 Bonds surrendered, if any; provided that each such new Series 2005R-2 Bond will be in a principal amount of \$100,000 or an integral multiple of \$5,000 in excess thereof.

The Company will publicly announce the results of the Change of Control Offer as soon as practicable after the Change of Control Payment Date.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Agreement applicable to a Change of Control Offer made by the Company and purchases all Series 2005R-2 Bonds validly tendered and not withdrawn under such Change of Control Offer.

Notwithstanding the foregoing, the Company shall not be required to make a Change of Control Offer, as provided above, if, in connection with or in contemplation of any Change of Control, it or a third party has made an offer to purchase (an "Alternate Offer") any and all Series 2005R-2 Bonds validly tendered at a cash price equal to or higher than the Change of Control Payment and has purchased all Series 2005R-2 Bonds properly tendered in accordance with the terms of such Alternate Offer. Any Alternate Offer may be terminated by the Company or such third party at any time prior to the consummation of the applicable Change of Control. The Alternate Offer shall remain, if commenced prior to the Change of Control, open for acceptance until the earlier of (a) the consummation of the Change of Control or (b) any termination of the Alternate Offer by the Company or such third party prior to the consummation of the applicable Change of Control, must permit Holders to withdraw any tenders of Series 2005R-2 Bonds made into the Alternate Offer until the final expiration or

consummation thereof and must comply with all the other provisions applicable to the Change of Control Offer.

Notwithstanding the foregoing, in the event that the Series 2005R-2 Bonds shall be subject to redemption or mandatory tender (or the Company has exercised a right to do so) on the same date that the Series 2005R-2 Bonds are subject to a Change of Control Offer, the redemption and mandatory tender provisions in the Indenture shall control, including without limitation with respect to the redemption price or Purchase Price of 100% of the principal amount of the Outstanding Series 2005R-2 Bonds plus accrued and unpaid interest.

The Company will comply, and will use reasonable efforts to ensure that any third party making a Change of Control Offer or an Alternate Offer will comply, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with such Change of Control Offer or an Alternate Offer. To the extent the provisions of any applicable securities laws or regulations conflict with the provisions of this Agreement relating to a Change of Control Offer, the Company will not be deemed to have breached its obligations under this Agreement by virtue of complying with such laws or regulations.”

(c) Article V of the Original Agreement is hereby amended by adding the following new Section 5.14 to the end thereof:

“Section 5.14 Maintenance of Guaranty; Additional Subsidiary Guarantees. For so long as the Series 2005R-2 Bonds are in the initial Term Interest Rate Period ending on January 31, 2017, the Company will cause the Guarantors to maintain in effect the Guaranty.

The following provisions of this Section 5.14 are applicable only if a Letter of Credit is not in effect with respect to the Series 2005R-2 Bonds:

If any Subsidiary (i) becomes a guarantor, borrower and/or issuer in respect of the Senior Credit Facility, the Second Lien Notes Documents and the Senior Subordinated Notes Indenture or (ii) if the Senior Credit Facility, the Second Lien Notes Documents and the Senior Subordinated Notes Indenture have been terminated, becomes a guarantor of any other issue of indebtedness of the Company of \$5.0 million or more in aggregate principal amount (per issue), then that Subsidiary shall become a Guarantor and shall, concurrently with the guarantee of such indebtedness:

- (1) execute and deliver to the Trustee a signature page to the Guaranty pursuant to which such Subsidiary shall unconditionally guarantee the Guaranteed Obligations (as defined in the Guaranty) on the terms set forth in the Guaranty; and
- (2) deliver to the Trustee an Opinion of Counsel that the Guaranty constitutes a valid and legally binding and enforceable obligation of such Subsidiary, subject to customary exceptions.

Thereafter, such Subsidiary shall be a Guarantor for all purposes of the Guaranty. The guarantees under the Guaranty are subject to release upon the terms set forth in the Guaranty.”

Section 4. Amendments to Article VII — Loan Default Events.

following: (a) Section 7.1 of the Original Agreement is hereby amended by deleting Section 7.1(c) in its entirety and replacing it with the

“(c) Failure of the Company to observe and perform any covenant, condition or agreement on its part required to be observed or performed by this Agreement or under the Note other than as provided in (a) or (b), which continues for a period of 60 days after written notice by the Authority or the Trustee delivered to the Company and the Credit Provider, if any, which notice shall specify such failure and request that it be remedied (including by redemption of all or a portion of the Bonds), unless the Authority and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Authority and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected;

thereof: (b) Section 7.1 of the Original Agreement is hereby amended by adding the following additional Loan Default Events at the end

“(f) Existence of an Event of Default under the Guaranty; or

(g) So long as the Series 2005R-2 Bonds are in the Term Interest Rate Period and no Letter of Credit is in effect, the existence of a default under and as defined in the Senior Credit Facility, but only if such default has resulted in the acceleration of the obligations owed under the Senior Credit Facility prior to their final stated maturities and provided that, in the event that such acceleration has been rescinded, such Event of Default hereunder will be deemed cured for all purposes and of no further effect; or

(h) So long as the Series 2005R-2 Bonds are in the Term Interest Rate Period and no Letter of Credit is in effect, and the Company shall have been deemed discharged from its obligations (other than any indemnification and other obligations which survive the termination of the Senior Credit Facility) with respect to the Senior Credit Facility (as set forth in the Senior Credit Facility), a default under, and as defined in, the indenture, agreement or instrument governing any bond, note, Capital Lease, or any other indebtedness for borrowed money of the Company in the principal amount of \$10 million or more (collectively, the “Indebtedness”), but only if such default with respect to any such Indebtedness has resulted in the acceleration of such Indebtedness prior to its final stated maturity and provided that, in the event that such acceleration has been rescinded,

such Event of Default hereunder will be deemed cured for all purposes and of no further effect.”

(c) Section 7.4 of the Original Agreement is hereby amended by adding the following sentence to the end thereof:

“Notwithstanding any other provision hereunder, the Trustee may proceed first against either the Guarantors or the Company in accordance with the terms of the Guaranty and/or this Agreement, respectively, as the Trustee may deem appropriate.”

Section 5. Amendment to Article IX — Non-Liability of Authority; Expenses; Indemnification.

The first paragraph of Section 9.1 of the Original Agreement is hereby amended and restated in its entirety to read as follows:

“The Authority shall not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, except from Revenues. The Company hereby acknowledges that the Authority’s sole source of moneys to repay the Bonds will be provided by the payments made by the Company pursuant to this Agreement, together with other Revenues with respect to the Bonds, including amounts received by the Trustee under the Guaranty or the Letter of Credit, if any, and investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal of, and premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Company shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Company, the Authority, the Credit Provider, if any, or any third party, other than as a result of such party’s willful misconduct.”

Section 6. Effective Date. This First Amendment shall take effect on February 1, 2012.

Section 7. Ratification of Previous Actions. All previous actions taken by the Authority, the Company and the Trustee in conformance with this First Amendment are hereby ratified and confirmed by the Authority, the Company and the Trustee, respectively.

Section 8. Severability. If any provision of this First Amendment shall be held or deemed to be, or shall in fact be, illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 9. Governing Law. This First Amendment shall be construed in accordance with and governed by the Constitution and laws of the State applicable to contracts made and performed in the State.

Section 10. Complete Agreement. Except as amended by this First Amendment, the Original Agreement shall remain in full force and effect and the Original Agreement, as amended and supplemented by this First Amendment, constitutes the entire agreement between the parties.

Section 11. Execution of Counterparts. This First Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

IN WITNESS WHEREOF, Finance Authority of Maine has caused this First Amendment to be executed in its name and Casella Waste Systems, Inc. has caused this First Amendment to be executed in its name by a duly authorized officer all as of the date first above written.

FINANCE AUTHORITY OF MAINE

By /s/ Elizabeth L. Bordowitz
Name: Elizabeth L. Bordowitz
Title: Chief Executive Officer

CASELLA WASTE SYSTEMS, INC.

By /s/ Edwin D. Johnson
Name: Edwin D. Johnson
Title: Chief Financial Officer

Consented to:

U.S. BANK NATIONAL ASSOCIATION,
As Trustee

By /s/ Vernita L. Anderson
Name: Vernita L. Anderson
Title: Assistant Vice President

BANK OF AMERICA, N.A.,
As Credit Provider

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

GUARANTY AGREEMENT

This Guaranty Agreement (the "Guaranty") is made as of February 1, 2012, jointly and severally by and between each of the undersigned (each, a "Guarantor", and collectively, together with any additional parties that from time to time may become a Guarantor pursuant to the terms of the Financing Agreement described below, the "Guarantors"), as guarantors, and **U.S. BANK NATIONAL ASSOCIATION**, as trustee under the Indenture (defined below) (in such capacity, together with any successor or successors in such capacity, herein called the "Trustee"):

WITNESSETH:

The Finance Authority of Maine (the "Authority") previously issued its Solid Waste Disposal Revenue Bonds (Casella Waste Systems, Inc. Project) Series 2005, in the aggregate principal amount of \$25,000,000 (the "Bonds") under and pursuant to an Indenture dated as of December 1, 2005 (as supplemented and amended, the "Indenture") between the Authority and LaSalle Bank National Association (predecessor to the Trustee). The proceeds of the Bonds were loaned by the Authority to Casella Waste Systems, Inc. (the "Company") pursuant to the terms of a Financing Agreement dated as of December 1, 2005 (as supplemented and amended, the "Financing Agreement") between the Authority and the Company. Each Guarantor is a subsidiary of the Company. On February 1, 2012, the Company intends to cause a conversion of a portion of the Bonds in the aggregate principal amount of \$21,400,000 (the "Series 2005R-2 Bonds") from the Weekly Rate to a Term Interest Rate (the "Conversion") for a period ending on January 31, 2017 (the "Initial Term Interest Rate Period").

As used herein, the following capitalized terms have the meanings set forth below:

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person.

"Capital Stock" means: (1) in the case of a corporation, corporate stock; (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock; (3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Person" means an individual, partnership, corporation, limited liability company, firm, association, joint stock company, unincorporated organization, trust, bank, trust company, land trust, business trust or other enterprise or joint venture, or a governmental agency or political subdivision thereof or other entity.

"Second Lien Notes Documents" means that certain Indenture dated as of July 9, 2009 by and among the Company, the guarantors named therein and Wilmington Trust Company, as trustee, and the Company's 11.0% Senior Second Lien Notes due 2014 issued thereunder (the "Second Lien Notes"), in each case as amended or refinanced from time to time,

including any agreement or agreements extending the maturity of, refinancing or otherwise restructuring (including increasing the amount of other indebtedness outstanding or available to be borrowed thereunder) all or any portion of the indebtedness under such agreement, and any successor or replacement indenture.

“Subsidiary” means, with respect to any Person:

any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof). All other capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Indenture and the Financing Agreement.

NOW, THEREFORE, in consideration of the foregoing and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Guarantors agrees as follows:

Section 1. Unconditional Guarantee.

Subject to the provisions of this Section 1, each of the Guarantors hereby unconditionally and irrevocably guarantees to the Trustee for the benefit of the Holders, irrespective of the validity and enforceability of the Financing Agreement, the Note or the obligations of the Company or any other Guarantors to the Trustee hereunder or thereunder: (a) the principal of and redemption premium, if any, on the Series 2005R-2 Bonds when and as the same shall become due (whether at maturity, by acceleration, call for redemption or otherwise); (b) the interest on the Series 2005R-2 Bonds when and as the same shall become due; (c) the purchase price of Series 2005R-2 Bonds tendered or deemed tendered for purchase pursuant to Sections 4.6, 4.8 or 4.9 of the Indenture; and (d) all amounts allocable to the Series 2005R-2 Bonds due or to become due from the Company under Sections 4.2(a) and 4.2(b) of the Financing Agreement (collectively, the “Guaranteed Obligations”). Failing payment when due of any amount so guaranteed, or failing performance of any other obligation of the Company under the Series 2005R-2 Bonds, each Guarantor shall be obligated to pay, or to perform or cause the performance of, the same immediately. An Event of Default under the Financing Agreement with respect to the Series 2005R-2 Bonds shall constitute an event of default under this Guaranty, and shall entitle the Trustee to accelerate the obligations of the Guarantors hereunder in the same manner and to the same extent as the obligations of the Company under the Financing Agreement.

Each of the Guarantors hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Note or the Financing Agreement, the absence of any action to enforce the same, any release of any other

Guarantor, the recovery of any judgment against the Company, any action to enforce the same, whether or not this Guaranty is affixed to the Financing Agreement, the Series 2005R-2 Bonds or the Note, or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of such Guarantor. Each Guarantor hereby waives the benefit of diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Guaranty shall not be discharged except by complete performance of the Guaranteed Obligations. This Guaranty is a guarantee of payment and not of collection. If the Trustee is required by any court or otherwise to return to the Company or to a Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Company or a Guarantor, any amount paid by the Company or a Guarantor to the Trustee, this Guaranty, to the extent theretofore discharged, shall be reinstated in full force and effect, subject to Section 7 hereof. Each Guarantor further agrees that, as between it, on the one hand, and the Trustee, on the other hand, (a) subject to the other provisions of this Guaranty, the maturity of the Series 2005R-2 Bonds may be accelerated as provided in Section 7.2 of the Financing Agreement for the purposes of this Guaranty, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Series 2005R-2 Bonds, and (b) in the event of any acceleration of the Series 2005R-2 Bonds as provided in Section 7.2 of the Financing Agreement, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantor for the purpose of this Guaranty.

Each Guarantor agrees to make immediate payment to the Trustee of all Guaranteed Obligations owing or payable to Trustee upon receipt of a demand for payment therefor by the Trustee to the Guarantor in writing

Section 2. Guaranteed Obligations Absolute and Continuing.

Subject to Section 7 hereof, the obligations of each Guarantor hereunder are and shall be absolute and unconditional and any monies or amounts expressed to be owing or payable by each Guarantor hereunder which may not be recoverable from such Guarantor on the basis of this Guaranty shall be recoverable from such Guarantor as a primary obligor and principal debtor in respect thereof. Subject to Section 7 hereof, the obligations of each Guarantor hereunder shall be continuing and shall remain in full force and effect until the entire principal of, redemption premium, if any, and interest on or purchase price of the Series 2005R-2 Bonds shall have been paid or provided for according to the terms of the Indenture and all other Guaranteed Obligations have been paid and satisfied in full. Each Guarantor agrees with the Trustee that it will from time to time deliver to the Trustee suitable acknowledgments of this continued liability hereunder in such form as counsel to the Trustee may advise and as will prevent any action brought against it in respect of any default hereunder being barred by any statute of limitations now or hereafter in force and, in the event of the failure of such Guarantor so to do, it hereby irrevocably appoints the Trustee agent of such Guarantor to make, execute and deliver such written acknowledgment or acknowledgments or other instruments as may from time to time become necessary or advisable, in the judgment of the Trustee on the advice of counsel, to fully maintain and keep in force the liability of such Guarantor hereunder.

Section 3. Limitation on Guarantor Liability.

Each of the Guarantors and the Trustee hereby confirms that it is the intention of each such party that this Guaranty not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to this Guaranty. To effectuate the foregoing intention, the Trustee and each Guarantor hereby irrevocably agree that the obligations of the Guarantors under this Guaranty shall be limited to the maximum amount as will, after giving effect to such maximum amount and all other contingent and fixed liabilities of the Guarantors that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Guaranty, result in the obligations of the Guarantors under this Guaranty not constituting a fraudulent transfer or conveyance.

Section 4. Execution and Delivery of Guaranty.

This Guaranty shall be executed on behalf of each Guarantor by either manual or facsimile signature of one officer of the Guarantor or other person duly authorized by all necessary corporate action of the Guarantor who shall have been duly authorized to so execute by all requisite corporate action. Each Guarantor hereby agrees that this Guaranty, as set forth in Section 1, shall remain in full force and effect notwithstanding any lack of endorsement on the Financing Agreement, the Series 2005R-2 Bonds or the Note of a notation of this Guaranty.

Section 5. Waiver.

Without in any way limiting the provisions of Section 1, each Guarantor hereby waives notice of acceptance hereof, notice of any liability of the Guarantor hereunder, notice or proof of reliance by the Holders upon the obligations of the Guarantor hereunder, and diligence, presentment, demand for payment on the Company, protest, notice of dishonor or nonpayment of any of the Guaranteed Obligations, or other notice or formalities to the Company or the Guarantor of any kind whatsoever.

Section 6. No Set-Off.

Each payment to be made by the Guarantors hereunder in respect of the Guaranteed Obligations shall be payable in the currency or currencies in which such Guaranteed Obligations are denominated, and shall be made without set-off, counterclaim, reduction or diminution of any kind or nature. It is the intention of the parties that the Authority, its members, officers, officials, agents and employees shall not incur pecuniary liability by reason of the terms of this Guaranty, the Financing Agreement or the Indenture, or by reason of the undertakings required of the Authority, its members, officers, officials, agents and employees in connection with this Guaranty, the Financing Agreement or the Indenture, the performance of any act required or requested of the Authority, its members, officers, officials, agents and employees in connection with the issuance of the Series 2005R-2 Bonds, this Guaranty, the Financing Agreement or the Indenture, or in any way arising from the transaction which this Guaranty is a part or arising in any manner in connection with the Project, and each Guarantor hereby waives any rights or claims it may have against the Authority in connection therewith.

Section 7. Release of a Guarantor.

This Guaranty will be released with respect to a Guarantor:

- (a) upon the sale or other disposition (including by way of merger or consolidation), to any Person that is not an Affiliate of the Company, of all of the Capital Stock of that Guarantor held by the Company or any of its Subsidiaries or of all or substantially all of the assets of that Guarantor;
- (b) upon the contemporaneous or substantially contemporaneous release or discharge of such Guarantor (1) as a guarantor, borrower and/or issuer in respect of the Senior Credit Facility, the Second Lien Notes or the Senior Subordinated Note Indenture and (2) if the Senior Credit Facility, the Second Lien Notes and the Senior Subordinated Note Indenture have been terminated, as a guarantor of any issue of any other indebtedness for borrowed money or Capital Lease of more than \$5.0 million in aggregate principal amount (per issue) of the Company or any of its Subsidiaries (other than any Subsidiaries of such Guarantor), except, in each case, as a result of payment by a guarantor in its capacity as a guarantor (and not as a borrower and/or issuer);
- (c) at any time that a Letter of Credit is in effect with respect to the Series 2005R-2 Bonds;
- (d) on the day after the last day of the Initial Term Interest Rate Period; or
- (e) upon or substantially contemporaneously with the payment in full of the Guaranteed Obligations.

The Trustee shall execute an appropriate instrument prepared by the Company evidencing the release of a Guarantor from its obligations under this Guaranty upon receipt of a request by the Company or such Guarantor accompanied by (i) a Certificate of an Authorized Representative of the Company certifying as to the compliance with this Section 7, and (ii) so long as the Senior Credit Facility is not in effect, in connection with a sale or disposition of assets or Capital Stock (or a series of related sales or dispositions) having a fair market value in excess of \$5,000,000, as evidenced by a Certificate of an Authorized Representative of the Company, an Opinion of Counsel as to the compliance with this Section 7, provided however, that the legal counsel delivering such Opinion of Counsel may rely as to matters of fact on one or more Certificates of an Authorized Representative of the Company.

Section 8. Waiver of Subrogation.

Until the payment in full of all Guaranteed Obligations, each Guarantor hereby irrevocably waives and agrees not to exercise any claim or other rights which it may now or hereafter acquire against the Company that arise from the existence, payment, performance or enforcement of the Company's obligations under the Note or the Financing Agreement and such Guarantor's obligations under this Guaranty, in any such instance including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, and any right to participate in any claim or remedy of the Authority or the Trustee against the Company, whether or not such claim, remedy or right arises in equity, or under contract, statute or common

law, including, without limitation, the right to take or receive from the Company, directly or indirectly, in cash or other assets or by set-off or in any other manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Guarantor in violation of the preceding sentence and any Guaranteed Obligations shall not have been paid in full, such amount shall have been deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Authority or the Trustee, as applicable, and shall forthwith be paid to the Authority or the Trustee, as applicable, to be credited and applied to the obligations in favor of the Authority or the Trustee, as applicable, whether matured or unmatured, in accordance with the terms of this Guaranty. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this Guaranty and that the waiver set forth in this Section 8 is knowingly made in contemplation of such benefits.

Section 9. Guaranteed Obligations Reinstated.

Subject to Section 7 hereof, the obligations of each Guarantor hereunder shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment which would otherwise have reduced the obligations of any Guarantor hereunder (whether such payment shall have been made by or on behalf of the Company or by or on behalf of a Guarantor) is rescinded or reclaimed from the Trustee upon the insolvency, bankruptcy, liquidation or reorganization of the Company or any Guarantor or otherwise, all as though such payment had not been made. If demand for, or acceleration of the time for, payment by the Company or any other Guarantor is stayed upon the insolvency, bankruptcy, liquidation or reorganization of the Company or such Guarantor, all such indebtedness otherwise subject to demand for payment or acceleration shall nonetheless be payable by each Guarantor as provided herein.

Section 10. Guaranteed Obligations Not Affected.

The obligations of each Guarantor hereunder shall not be affected, impaired or diminished in any way by any act, omission, matter or thing whatsoever, occurring before, upon or after any demand for payment hereunder (and whether or not known or consented to by any Guarantor or the Trustee) which, but for this provision, might constitute a whole or partial defense to a claim against any Guarantor hereunder or might operate to release or otherwise exonerate any Guarantor from any of its obligations hereunder or otherwise affect such obligations, whether occasioned by default of the Trustee or otherwise, including, without limitation:

(a) any limitation of status or power, disability, incapacity or other circumstance relating to the Company or any other Person, including any insolvency, bankruptcy, liquidation, reorganization, readjustment, composition, dissolution, winding-up or other proceeding involving or affecting the Company or any other Person;

(b) any irregularity, defect, unenforceability or invalidity in respect of any indebtedness or other obligation of the Company or any other Person under the Financing Agreement, the Note or any other document or instrument;

(c) any failure of the Company or any other Guarantor, whether or not without fault on its part, to perform or comply with any of the provisions of this Guaranty, the Financing Agreement or the Note, or to give notice thereof to a Guarantor;

(d) the taking or enforcing or exercising or the refusal or neglect to take or enforce or exercise any right or remedy from or against the Company or any other Person or their respective assets or the release or discharge of any such right or remedy;

(e) the granting of time, renewals, extensions, compromises, concessions, waivers, releases, discharges and other indulgences to the Company or any other Person;

(f) any change in the time, manner or place of payment of, or in any other term of, the Series 2005R-2 Bonds, the Note or the Financing Agreement, or any other amendment, variation, supplement, replacement or waiver of, or any consent to departure from, the Series 2005R-2 Bonds, the Note or the Financing Agreement, including, without limitation, any increase or decrease in the principal amount of or premium, if any, or interest on the Series 2005R-2 Bonds;

(g) except as provided in Section 7, any change in the ownership, control, name, objects, businesses, assets, capital structure or constitution of the Company or a Guarantor;

(h) except as provided in Section 7, any merger or amalgamation of the Company or a Guarantor with any Person or Persons;

(i) the occurrence of any change in the laws, rules, regulations or ordinances of any jurisdiction by any present or future action of any governmental authority or court amending, varying, reducing or otherwise affecting, or purporting to amend, vary, reduce or otherwise affect, any of the Guaranteed Obligations or the obligations of a Guarantor under this Guaranty; and

(j) any other circumstance, including release of another Guarantor pursuant to Section 7 (other than by complete, irrevocable payment), that might otherwise constitute a legal or equitable discharge or defense of the Company under the Financing Agreement or the Note or of a Guarantor in respect of its guarantee hereunder.

Section 11. No Obligation to Take Action Against the Company.

The Trustee shall have no obligation to enforce or exhaust any rights or remedies against the Company or any other Person or any property of the Company or any other Person before the Trustee is entitled to demand payment and performance by any or all Guarantors of their liabilities and obligations under this Guaranty.

Section 12. Dealing with the Company and Others.

The Trustee, without releasing, discharging, limiting or otherwise affecting in whole or in part the obligations and liabilities of any Guarantor hereunder and without the consent of or notice to any Guarantor, may:

- (a) grant time, renewals, extensions, compromises, concessions, waivers, releases, discharges and other indulgences to the Company or any other Person;
- (b) take or abstain from taking security or collateral from the Company or from perfecting security or collateral of the Company;
- (c) release, discharge, compromise, realize, enforce or otherwise deal with or do any act or thing in respect of (with or without consideration) any and all collateral, mortgages or other security given by the Company or any third party with respect to the obligations or matters contemplated by the Financing Agreement or the Note;
- (d) accept compromises or arrangements from the Company;
- (e) apply all monies at any time received from the Company or from any security upon such part of the Guaranteed Obligations as the Holders may direct or change any such application in whole or in part from time to time as the Holders may direct; and
- (f) otherwise deal with, or waive or modify its right to deal with, the Company and all other Persons and any security as the Trustee may determine.

Section 13. Representations.

Each Guarantor makes the following representations as of the date hereof as the basis for its undertakings hereunder:

- (a) It is a corporation, limited partnership or limited liability company duly organized, and validly existing in good standing under the laws of the state of its organization, has the corporate, limited partnership or limited liability company, as applicable, power to enter into this Guaranty and to perform its obligations hereunder, and by proper corporate action has duly authorized the execution and delivery of this Guaranty and performance of its obligations hereunder.
- (b) The execution and delivery of this Guaranty and the performance of its obligations hereunder do not and will not conflict with, or constitute a breach or result in a violation of, its certificate of incorporation, bylaws or other organizational documents, as applicable, or any material agreement or other material instrument to which it is a party or by which it is bound or any constitutional or statutory provision applicable to it, or order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over it or its property, in each case, the breach, conflict with or the violation of any of which would have a material adverse effect upon the Guarantor's ability to perform its obligations hereunder.
- (c) Except for the matters disclosed in the Limited Offering Memorandum dated January 10, 2012 with respect to the Series 2005R-2 Bonds, or in the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q or Periodic Reports on Form 8-K filed with the U.S. Securities and Exchange Commission, there are no pending or, to the best of each Guarantor's knowledge, threatened actions, suits, proceedings or investigations of a legal,

equitable, regulatory, administrative or legislative nature, which could reasonably be expected to adversely affect in a material way its ability to perform its obligations under this Guaranty.

Section 14. Events of Default; Remedies.

Each of the following events shall be an Event of Default hereunder:

(a) Failure of any Guarantor to pay any Guaranteed Obligations upon receipt of demand by the Trustee to such Guarantor given in accordance with Section 20 hereof.

(b) The dissolution or liquidation of a Guarantor or the filing by a Guarantor of a voluntary petition in bankruptcy, or the entry of any order or decree granting relief in any involuntary case commenced against a Guarantor under any present or future federal bankruptcy act or any similar federal or state law, or a petition for such an order or decree shall be filed in any court and such petition shall not be discharged or denied within ninety days after the filing thereof, or if a Guarantor shall admit in writing its inability to pay its debts generally as they become due, or a receiver, trustee or liquidator of a Guarantor shall be appointed in any proceeding brought against the Guarantor and shall not be discharged within ninety days after such appointment or if a Guarantor shall consent to such appointment, or assignment by the Guarantor of all or substantially all of its assets for the benefit of its creditors, or the entry by the Guarantor into an agreement of composition with its creditors with respect to all or substantially all of its assets, or a bankruptcy, insolvency or similar proceeding shall be otherwise initiated by or against a Guarantor under any applicable bankruptcy, reorganization or analogous law as now or hereafter in effect and if initiated against the Guarantor shall remain undischarged (subject to no further appeal) for a period of ninety days; provided, the term "dissolution or liquidation of a Guarantor," as used in this subsection, shall not be construed to include the cessation of the existence of a Guarantor resulting either from a merger or consolidation of the Guarantor into or with another entity or a dissolution or liquidation of the Guarantor following a transfer of all or substantially all of its assets as an entirety; and provided further that an Event of Default shall not be triggered under this Subsection (b) if the Company and the unaffected Guarantor or Guarantors shall continue to own more than 50% of the consolidated assets of the Company and the Subsidiaries.

(c) If any representation made by a Guarantor contained in this Guaranty was false or misleading in any material respect at the time it was made or delivered.

Whenever an Event of Default shall have happened and be continuing, (a) the Trustee in the manner provided in Section 7.1 of the Indenture may declare the entire unpaid principal of, or redemption premium, if any, and interest on the Series 2005R-2 Bonds to be immediately due and payable, and (b) the Trustee may, in its discretion, or shall upon the written request of the Holders of 66 2/3% in principal amount of Series 2005R-2 Bonds then Outstanding, take whatever action at law or in equity as may appear necessary or desirable to collect payments then due or thereafter to become due hereunder or to enforce observance or performance of any covenant or agreement of the Guarantors under this Guaranty.

In case the Trustee shall have proceeded to enforce this Guaranty and such proceedings shall have been discontinued or abandoned for any reason, then and in every such

case each Guarantor and the Trustee, subject to any determination in any applicable proceeding, shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Guarantors and the Trustee shall continue as though no such proceeding had been taken.

Section 15. Successors and Assigns; Enforcement of Remedies.

This Guaranty shall be binding upon and inure to the benefit of each Guarantor and the Trustee and their respective successors and permitted assigns, except that no Guarantor may assign any of its obligations hereunder. All rights against each Guarantor arising under this Guaranty shall be for the sole benefit of the Trustee and the Holders of the Series 2005R-2 Bonds and their respective successors and assigns and, with respect to payments due the Authority under Sections 4.2(d), 7.3, 9.2 and 9.3 of the Financing Agreement, the Authority. If any Guarantor fails to pay in accordance with Section 1 hereof, the Trustee may proceed in the enforcement of this Guaranty and such Guarantor's obligations thereunder and hereunder by any remedy provided by law, whether by legal proceedings or otherwise, and to recover from such Guarantor the obligations, without exhausting any other remedies that the Trustee may have pursuant to the terms of the Series 2005R-2 Bonds, the Indenture or the Financing Agreement and without resort to any other security held by or available to the Authority or the Trustee.

Section 16. Amendment of Guaranty.

The Trustee and the Guarantors may, without the consent of or notice to the owners or beneficial owners of the Series 2005R-2 Bonds, enter into any amendment, change or modification of this Guaranty (i) as may be required by the provisions of this Guaranty or the Indenture, (ii) for the purpose of curing any ambiguity or inconsistency, defective provision or omission, (iii) in connection with an amendment of the Indenture or the Financing Agreement to effect any event or purpose for which there could be such an amendment without the consent of the Holders, or (iv) in connection with any other change herein which is not to the material prejudice of the Trustee or the owners or beneficial owners of the Series 2005R-2 Bonds. Except for the amendments, changes or modifications described in the preceding sentence, the Trustee and the Guarantors may not enter into any other amendment, change or modification of this Guaranty without first mailing notice to, and obtaining the written approval or consent of, the owners or beneficial owners of not less than a majority in aggregate principal amount of the Series 2005R-2 Bonds at the time outstanding; provided, however, that the foregoing does not permit, without the written approval or consent of the Holders of 100% in aggregate principal amount of the Series 2005R-2 Bonds then Outstanding, an extension of the time of payment of, or a reduction in, any of the Guaranteed Obligations. In addition, any amendment, change or modification of this Guaranty relating to payments due the Authority under Section 4.2(d), 7.3, 9.2 or 9.3 of the Financing Agreement may only be made with the prior written consent of the Authority. As a condition precedent to any such amendment, change, or modification, the Guarantors shall deliver to the Trustee the Opinion of Counsel required by Section 9.5(B) of the Indenture. No amendment, modification or waiver of any provision of this Guaranty relating to any Guarantor or consent to any departure by any Guarantor from any such provision will in any event be effective unless it is signed by such Guarantor and the Trustee. Further, notwithstanding the foregoing, while the Senior Credit Facility remains in effect, the parties hereto agree that they will not (x) amend, modify or waive the provisions set forth in Section 7 of

this Guaranty or (y) amend, modify or waive any of the other provision of this Guaranty (i) if the effect of such modification or waiver would be to delete or otherwise render ineffective the references to Section 7 expressly contained in such provision or (ii) in a manner that could reasonably be expected to be materially adverse to the holders of the Senior Credit Facility, without, in each case, the prior written consent of the administrative agent thereunder.

Section 17. No Merger or Waiver; Cumulative Remedies.

This Guaranty shall not operate by way of merger of any of the obligations of a Guarantor under any other agreement. No failure to exercise and no delay in exercising, on the part of the Trustee, any right, remedy, power or privilege under the Indenture, the Financing Agreement or the Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege under the Indenture, the Financing Agreement or the Note preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges in this Guaranty and under the Indenture, the Financing Agreement, the Note and any other document or instrument between a Guarantor and/or the Company and the Trustee or the Authority are cumulative and not exclusive of any rights, remedies, powers and privilege provided by law.

Section 18. Survival of Guaranteed Obligations.

Subject to Section 7 hereof, the obligations of each Guarantor under Section 1 shall be enforceable against such Guarantor without regard to and without giving effect to any defense, right of offset or counterclaim available to or which may be asserted by the Company or any Guarantor.

Section 19. Guaranty in Addition to Other Guarantee Obligations.

The obligations of each Guarantor under this Guaranty are in addition to and not in substitution for any other obligations to the Trustee in relation to the Financing Agreement or the Note and any guarantees or security at any time held by or for the benefit of the Trustee.

Section 20. Notices.

Demand for payment by any Guarantor of the amounts guaranteed hereunder shall be made by notice in writing as provided in the next sentence. All demands, notices, approvals, consents, requests and other communication hereunder shall be in writing addressed to the applicable Guarantors, c/o the address of the Company as set forth in Section 11.8 of the Indenture, and shall be deemed to have been given: (i) when the same are delivered by hand, or (ii) when the same are sent by confirmed facsimile transmission, or (iii) on the next Business Day when the same are sent by overnight delivery service (with delivery confirmed). The Guarantors, the Company, the Authority and the Trustee may, by notice given hereunder, designate any further or different addresses or means of communication to which subsequent demands, notices, approvals, consents, requests or other communications shall be sent or persons to whose attention the same shall be directed.

Section 21. Miscellaneous.

(a) Any provision of this Guaranty that is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction unless its removal would substantially defeat the basic intent, spirit and purpose of this Guaranty.

(b) This Guaranty shall be governed by and construed in accordance with the laws of the State of Maine without giving effect to principles of conflicts of law. Each of the undersigned Guarantors hereby agrees to submit to the jurisdiction of the courts of the State of Maine in any action or proceeding arising out of or relating to this Guaranty.

(c) Each Guarantor hereby acknowledges communication of the terms of this Guaranty, the Indenture, the Financing Agreement and the Note and consents to all the terms, covenants and conditions thereof.

(d) No director, officer, employee, incorporator or stockholder of any Guarantor, as such, shall have any liability for any obligations of the Guarantors hereunder or for any claim based on, in respect of, or by reason of, such obligations or their creation.

(e) Each Guarantor shall pay on demand by the Trustee any and all reasonable costs, fees and expenses incurred by the Trustee, its agents and advisors and in enforcing any of their rights under this Guaranty.

(f) This Guaranty may be executed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute but one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Guaranty to be executed by their duly authorized representatives as of the date first above written.

ALL CYCLE WASTE, INC.
ATLANTIC COAST FIBERS, INC.
B. AND C. SANITATION CORPORATION
BRISTOL WASTE MANAGEMENT, INC.
C.V. LANDFILL, INC.
CASELLA ALBANY RENEWABLES, LLC
CASELLA MAJOR ACCOUNT SERVICES, LLC
CASELLA RECYCLING, LLC
(FORMERLY KTI NEW ENGLAND, LLC)
CASELLA RENEWABLE SYSTEMS, LLC
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.
CASELLA WASTE SERVICES OF ONTARIO LLC
CHEMUNG LANDFILL LLC
COLEBROOK LANDFILL LLC
FOREST ACQUISITIONS, INC.
GRASSLANDS INC.
HAKES C&D DISPOSAL, INC.
HARDWICK LANDFILL, INC.
HIRAM HOLLOW REGENERATION CORP.
K-C INTERNATIONAL, LTD.
KTI, INC.
KTI BIO FUELS, INC.
KTI ENVIRONMENTAL GROUP, INC.
KTI NEW JERSEY FIBERS, INC.
KTI OPERATIONS, INC.

By: s/ Edwin D. Johnson
Name: Edwin D. Johnson
Title: Vice President and Treasurer

[Signature Page to Guaranty Agreement]

KTI SPECIALTY WASTE SERVICES, INC.
MAINE ENERGY RECOVERY COMPANY, LIMITED PARTNERSHIP
By: KTI Environmental Group, Inc.,
 general partner
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
PERC, INC.
PINE TREE WASTE, INC.
RESOURCE TRANSFER SERVICES, INC.
RESOURCE WASTE SYSTEMS, INC.
SCHULTZ LANDFILL, INC.
SOUTHBRIDGE RECYCLING & DISPOSAL PARK, INC.
SUNDERLAND WASTE MANAGEMENT, INC.
U.S. FIBER, LLC
WASTE-STREAM INC.
WINTERS BROTHERS, INC.

By: /s/ Edwin D. Johnson
Name: Edwin D. Johnson
Title: Vice President and Treasurer

CWM ALL WASTE LLC

By: s/ Edwin D. Johnson
Name: Edwin D. Johnson
Title: Duly Authorized Agent

[Signature Page to Guaranty Agreement (Cont.)]

GROUNDSCO LLC

By: s/ Edwin D. Johnson
Name: Edwin D. Johnson
Title: Duly Authorized Agent

THE HYLAND FACILITY ASSOCIATES

By: s/ Edwin D. Johnson
Name: Edwin D. Johnson
Title: Duly Authorized Agent

NEWS OF WORCESTER LLC

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

By: s/ Edwin D. Johnson
Name: Edwin D. Johnson
Title: Senior Vice President and Chief Financial Officer

NEWSME LANDFILL OPERATIONS LLC

By: s/ Edwin D. Johnson
Name: Edwin D. Johnson
Title: Duly Authorized Agent

Accepted:

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: /s/ Vernita L. Anderson
Name: Vernita L. Anderson
Title: Assistant Vice President

[Signature Page to Guaranty Agreement (Cont.)]

Casella Waste Systems, Inc.
Statement of Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends
(in thousands, except ratios)

	Three Months Ended January 31, 2012	Nine Months Ended January 31, 2012	Twelve Months Ended April 30,				
			2011	2010	2009	2008	2007
Loss from continuing operations before income taxes, discontinued operations and cumulative effect of change in accounting principle	\$ (24,034)	\$ (27,856)	\$ (27,921)	\$ (13,807)	\$ (65,871)	\$ (14,655)	\$ (29,905)
Noncontrolling interests	—	—	—	—	—	—	—
Loss (income) from equity method investments	6,383	10,163	4,096	2,690	2,157	6,077	(1,051)
Impairment of equity method investment	10,680	10,680	—	—	—	—	—
Distributed income of equity method investees	—	—	—	—	—	—	—
Fixed charges	12,150	35,945	48,676	46,411	35,673	35,721	30,704
Less: interest capitalized	(51)	(396)	(1,078)	(349)	(214)	(1,275)	(1,116)
Earnings	<u>\$ 5,128</u>	<u>\$ 28,536</u>	<u>\$ 23,773</u>	<u>\$ 34,945</u>	<u>\$ (28,255)</u>	<u>\$ 25,868</u>	<u>\$ (1,368)</u>
Interest expense (includes amortization of premium and discounts and deferred financing charges)	\$ 11,528	\$ 33,897	\$ 45,912	\$ 44,375	\$ 33,840	\$ 33,282	\$ 28,533
Estimate of interest within rental expense	571	1,652	1,686	1,687	1,619	1,164	1,055
Interest capitalized	51	396	1,078	349	214	1,275	1,116
Fixed charges	<u>\$ 12,150</u>	<u>\$ 35,945</u>	<u>\$ 48,676</u>	<u>\$ 46,411</u>	<u>\$ 35,673</u>	<u>\$ 35,721</u>	<u>\$ 30,704</u>
Ratio of earnings to fixed charges	—	—	—	—	—	—	—
Deficiency of earnings to fixed charges	\$ (7,022)	\$ (7,409)	\$ (24,903)	\$ (11,466)	\$ (63,928)	\$ (9,853)	\$ (32,072)
Fixed charges from above	\$ 12,150	\$ 35,945	\$ 48,676	\$ 46,411	\$ 35,673	\$ 35,721	\$ 30,704
Preferred stock dividends	—	—	—	—	—	—	5,579
Combined fixed charges and preferred stock dividends	<u>\$ 12,150</u>	<u>\$ 35,945</u>	<u>\$ 48,676</u>	<u>\$ 46,411</u>	<u>\$ 35,673</u>	<u>\$ 35,721</u>	<u>\$ 36,283</u>
Ratio of earnings to combined fixed charges and preferred stock dividends	—	—	—	—	—	—	—
Deficiency of earnings to combined fixed charges and preferred stock dividends	\$ (7,022)	\$ (7,409)	\$ (24,903)	\$ (11,466)	\$ (63,928)	\$ (9,853)	\$ (37,651)

CERTIFICATION

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)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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: March 2, 2012

By: /s/ John W. Casella
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Edwin D. Johnson, 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)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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: March 2, 2012

By: /s/ Edwin D. Johnson
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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. for the period ended January 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, John W. Casella, Chairman and Chief Executive Officer, hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to his knowledge:

- (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, our financial condition and results of operations.

Date: March 2, 2012

By: /s/ John W. Casella
Chairman and Chief Executive Officer
(Principal Executive Officer)

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. for the period ended January 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Edwin D. Johnson, Senior Vice President and Chief Financial Officer, hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to his knowledge:

- (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, our financial condition and results of operations.

Date: March 2, 2012

By: /s/ Edwin D. Johnson
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)
